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DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS FOR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON VA, HUD, AND INDEPENDENT AGENCIES

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PART 6

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS FOR 1991

TUESDAY, APRIL 3, 1990.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESSES

JACK KEMP, SECRETARY

ALFRED DELLIBOVI, UNDER SECRETARY

C. AUSTIN FITTS, ASSISTANT SECRETARY FOR HOUSING/FEDERAL HOUSING COMMISSIONER

MICHAEL JANIS, GENERAL DEPUTY ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING

ARTHUR HILL, PRESIDENT, GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

ANNA KONDRATAS, ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT

GORDON MANSFIELD, ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY

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MICHAEL HILL, DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION

ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

HERBERT PERSIL, DEPUTY DIRECTOR, OFFICE OF BUDGET

IVAN RANSOPHER, DEPUTY ASSISTANT SECRETARY FOR LEGISLATION, OFFICE OF LEGISLATION AND CONGRESSIONAL RELATIONS

PATRICIA CARLILE, EXECUTIVE DIRECTOR, INTERAGENCY COUNCIL ON THE HOMELESS

JAMES L. LOGUE III, DEPUTY ASSISTANT SECRETARY FOR MULTIFAMILY HOUSING

RONALD A. ROSENFELD, DEPUTY ASSISTANT SECRETARY FOR SINGLE FAMILY HOUSING

JOHN R. AMBROGNE, ACTING DEPUTY ASSISTANT SECRETARY FOR POLICY, FINANCIAL MANAGEMENT AND ADMINISTRATION

RUSSELL DAVIS, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY

DONALD MADDY, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY
STEPHEN W. COOLEY, DIRECTOR, OFFICE OF POLICY DEVELOPMENT
GEORGIANA C. YOUNG, DIRECTOR, HOUSING BUDGET DIVISION
THOMAS SHERMAN, DIRECTOR, OFFICE OF PUBLIC HOUSING
DOMINIC A. NESSI, DIRECTOR, OFFICE OF INDIAN HOUSING
DAVID L. CAPRARA, SPECIAL ASSISTANT FOR RESIDENT MANAGEMENT AND URBAN HOMESTEADING
NANCY S. CHISHOLM, DIRECTOR, POLICY STAFF
JOSEPH H. SENS, DIRECTOR, OFFICE OF FINANCE AND MANAGEMENT
ROBERT M. GAIR, BUDGET OFFICER
DAVID R. COOPER, ASSISTANT GENERAL COUNSEL, MULTIFAMILY MORTGAGE INSURANCE, OFFICE OF INSURED HOUSING AND FINANCE
GEORGE L. WEIDENFELLER, ASSISTANT GENERAL COUNSEL, OFFICE OF ASSISTED HOUSING AND COMMUNITY DEVELOPMENT
JULIE FAGIN, DIRECTOR, OFFICE FOR DRUG-FREE NEIGHBORHOODS
LLOYD B. CHAISSON, JR., SENIOR ADVISOR TO THE UNDER SECRETARY

Introductory Remarks

Mr. Traxler. Good morning. We want to welcome the Secretary and his fine staff. This is his second appearance before the subcommittee. For 1989 your actual budget authority was $12,621,501,000; your 1990 estimate is $14,655,572,000 and 13,493 staff years, about the same as what you had in 1989.

The 1991 request is $21,361,096,000, and 14,218 staff years, which is an increase of $6,076,024,000, and 725 FTE. We are delighted to see that personnel there, because it is something that the Secretary has requested, and something that we strongly believe in as a committee. There can't be any substitution for hands-on supervision.

So Mr. Secretary, you have got quite a team assembled. We had the opportunity to meet some of them last year. Would you be kind enough to introduce for us your top personnel this morning?

INTRODUCTION OF HUD STAFF

Secretary Kemp. Well, it goes without saying that Mr. Kliman has quickly become a member of our sanctum sanctorum. He has performed before this committee and appeared before the committee—pick the word that you want to use, but Mr. Kliman is well known to this committee, and I am glad that he has become such an integral part of the presentations that we have made at HUD to appear before you and of course the relevant committees in the Senate.

You know the Under Secretary, Al DelliBovi. Starting on your left, my right, Mike Hill is Deputy Assistant Secretary for Administration. Mr. Adams is well known, has helped HUD get right up to the front pages of every newspaper in America, one of the promises I made to President Bush is to take this relatively obscure agency from the back pages to the front pages. What happened was not what we had in mind, but Inspector General Paul Adams has performed not only admirably, but with Herculean efforts, Mr. Chairman, in helping us reform that agency and get it back on the right track, and I know we have your support in that effort as well.

The next young lady is Anna Kondratas, Assistant Secretary for Community Planning and Development, someone for whom I am grateful that she joined our team. Next is Al Kliman's deputy, Herb Persil very able. Ivan Ransopher, my Deputy Assistant Secretary for Legislation, and Tim Coyle, Assistant Secretary for Legislation and Congressional Affairs who is well known to this Committee and a very able member of our team. They all are. This is my A-Team.

Mary Brunette is my Special Assistant for Policy and Communication. John Weicher that you know came over from OMB and AEI, he is the Assistant Secretary for Policy Development and Research.

You are putting me to the test, Mr. Chairman. Austin Fitts, Assistant Secretary for Housing, FHA Commissioner. We are thrilled that she came down to join us, and you have met her before, but she certainly is a key member of our team. Art Hill, who recently was confirmed unanimously by the Senate, Mr. Chairman, now is officially on board as our president of Ginnie Mae. I lust after his title. I don't know why he gets to be called president and I get to be called secretary, but such is the way of Washington.

Gordon Mansfield, sitting down on the end is our Assistant Secretary for Fair Housing and Equal Opportunity. Gordon is a Vietnam vet, disabled American vet and is getting high marks for his efforts to help make sure that housing in America is open to all people, irrespective of race, color, religious or special disadvantage that someone might have by virtue of being physically handicapped.

Sherrie Rollins, is our Assistant Secretary for Public Affairs who is sitting right behind Gordon Mansfield. Everybody has now been confirmed except one, Mr. Chairman, Joe Schiff in Public and Indian Housing. His deputy is here, Mike Janis. So this is the A-Team.

We are very proud of them, and I appreciate your giving me a chance to introduce them and have them here today under your auspices, and I am absolutely convinced, Mr. Chairman, that we are now in a position to move forward on what I know you and the Members of this committee are interested in, not just a budget for 1991, but a housing bill that can move this country towards the type of decent and affordable housing and the community and economic development that has long been championed by many Members of this committee, and of course is the heart and soul of our new Hope package, among other things.

Mr. Traxler. Thank you, very much, Mr. Secretary.

Secretary Kemp. I didn't introduce one mayor.

Mr. Traxler. Well, we notice the difference. It is refreshing. Well, a lot has happened since last year. The agency has been quite busy dealing with a pervasive array of fraud and influence peddling and gross mismanagement by the prior administration involving subsidized and non-subsidized housing programs administered by the agency.

At your request, the Congress last fall passed the HUD Reform Act of 1989. You have been very busy dealing with the issues on your plate that were left over from prior years. I suspect in the coming year and years you will be able to deal with America's housing problems, and the plight of our urban areas. Your agency is very, very essential and quite important to millions and millions of Americans, to their fiscal and economic well being, and it is not an enviable task in days of tight budgets and restraints, economic restraints on federal agencies, and yet somehow or another, I suspect that yours is a job that is unnoticed, perhaps unappreciated by the millions of Americans who are dependent upon the agency for their shelter.

With that introduction, we would be pleased to hear your remarks, we will place, of course, your full statement in the record, you may proceed at this time.

OPENING STATEMENT

Secretary **Kemp**. Thank you, Mr. Chairman.

I appreciate your comments, your support, your friendship and having been a past Member of the Appropriations Committee of the House, let me say once again what a pleasure it is to be with you today.

HUD REFORMS

It should not go unsaid that without the support of the Congress on both sides of the aisle for the reforms that we made in 1990 and in 1989, we could not have advanced that day closer to when we can all stand in the Rose Garden or stand and watch a ceremony in which housing legislation supported by both Democrats and Republicans, liberals and conservatives, Congress and this Administration, can move forward.

So that is what we are looking for; we believe that your help last year in reform of HUD has not only advanced that day, but made it inevitable, let me say it that way, I believe it is inevitable, that we will have a very strong housing and community development bill, and whether it is Hope or whatever the title is, is less important than getting moving on these very important issues which I know you are committed to.

TOTAL HUD BUDGET

Let me make a couple of points that I think, since you have given me this opportunity, Mr. Chairman, need to be made. I appreciated your giving us a quick resume of what has happened to BA, budget authority, over the last several years. The fact is that our $23.7 billion, in total budget authority for 1991, not only represents a real increase in the Department's discretionary budget authority of more than $78 million over 1990, but the $23.7 billion figure includes as everybody wanted to know last year, what the Bush Administration, what Kemp, what Traxler, what the Committee, the Congress and the White House would do about the renewal of those expiring Section 8 contracts.

CONTRACT RENEWALS

I don't need to remind you, Mr. Chairman, that last year that was considered to be almost a crisis in budgeting, and the Administration, with the help of both sides of the aisle, have absolutely committed our nation to those men and women who are in the position of having that expiring contract take place that we have renewed it in kind or five years.

Last year when I came before you, as I said, there were a lot of doubts about the Administration's commitments to renewing these contracts, and I pledged that it would be done. The budget carries out that commitment, and while it soon becomes old news and we go on to the next crisis of the moment, I would not be doing a service to either the Congress or to the Administration had I not mentioned it in that context.

FIGHTING POVERTY

But let me say something to you, Mr. Chairman, that I think is not only in my heart, but is something that I—that makes me into a fighter for many of these issues, and that is housing assistance, homeownership, community development, I think this needs to be wrapped up into the totality of fighting the conditions of poverty, despair, and even drugs to a certain—and to a large extent. I don't appear before you today just to begin an extended debate about how much rental assistance that we can afford or by what mechanisms the funds should or could be allocated.

I think the HUD Secretary, Jack Kemp, in this instance, and the Authorizing Committee and the Appropriations Committee of which you are the Chair, Mr. Traxler, we can do better than just to debate over how many angels can dance on the head of the medieval, theological budget pin.

I hope the debate this year is much more involved in things like how do we measure the success of our housing and community development program. Do we measure them by how many people were served and how much we are spending, or would it be better to measure the success of our programs by how many people we can get out of the government assistance and the cycle of dependency on government and on to that ladder of opportunity where they can help themselves become independent and move out of poverty with private sector jobs, income opportunities, and ability to either own their own home or have the type of decent housing and shelter which I think is part of the American dream and inextricably so?

There is a debate over whether our budget represents a true but modest increase. We believe it does. Some in the Senate did not. But the real crux of the debate, Mr. Chairman, is not the budget numbers or even the number of incremental units. We will have failed ourselves and the American people and particularly those we want to serve with our programs if we don't at the same time provide opportunity to encourage self-sufficiency.

I have seen remarkable paradigms of success in almost every area of the country, from Mr. Green's favorite city, New York, to Mrs. Boggs' favorite city, New Orleans and some day you will have me to Michigan, Mr. Chairman. The prime area—we believe that our budget proposal learns the lessons of last year's reforms by reducing resources for some of the flawed and poisoned programs that led to waste, duplication and abuse, and we think that we are now in a reorganized mode in which we have aimed HUD to be more efficient and more effective in a battle against those social and economic conditions that so often lead to despair, dropping out of school, losing interest in the future, and giving up, if you will, on mainstream America.

HOMEOWNERSHIP AND OPPORTUNITY FOR PEOPLE EVERYWHERE [HOPE]

The primary new initiative in our budget is, as you have heard, is Homeownership and Opportunity for People Everywhere in America. It wouldn't be a Jack Kemp initiative if it weren't sweeping and grandiose, but we think it is targeted to people who need the help the most; we think that homeownership should be the thrust of our proposals. We don't denigrate rental assistance, but we believe that a chance to own a piece of property is so linked to this country's anti-poverty effort that even William Raspberry in the Washington Post wrote an incredible article in which he said it changes behavior when people get assets from a savings account and bank accounts to appropriate to home, to a house, they begin to think about the long term conditions around which those short term problems exist, or short term opportunities are provided.

So we are great believers in spreading the base of equity in America, giving people a take in their neighborhood. Giving people an opportunity to own a home, no matter how humble, today influences attitude, thus shaping behavior, and ultimately lead to the type of productive human activity that leads out of poverty and out of the conditions of despair. Our Hope initiative, Mr. Chairman, proposes $7.2 billion roughly in total resources for housing and urban economic development over the next three years in just the areas I have alluded to. $4 billion in BA, $1.5 billion or so in tax expenditures, a billion or so in matching funds from States and localities, to partner with them in this great effort. We start with Hope grants of $250 million for homeownership. These are the type of grants that would enable low income families to become homeowners with a stake in their communities. They would be available for resident homeownership in public housing, urban homesteading of government held, vacant or foreclosed properties, financially distressed properties held by FHA, Farmers Home, RTC and the VA portfolios. I won't go into any more detail, but we think that is a very important proposal that the President has made. We believe in order to facilitate our public housing homeownership, resident management programs in public housing throughout America, and to preserve low-income housing stock, we have asked for 6,000 units that would be funded from the Annual Contributions account for relocation, replacement of rental units due to homeownership, rental assistance for non-purchasing tenants and post-sale subsidy for purchasing tenants.

MULTIFAMILY PRESERVATION

Number two, the multi-family preservation and pre-payment initiative, this is something that I take a lot of pride in, because it provides for the first time a new and positive, and I would say progressive way of dealing with the moratorium that has been placed on the prepayment of mortgages by developers, owners of low-income stock. We want to protect the residents; we want to protect the right of private property, so we are suggesting that over the next—that given the fact that over the next 15 years, owners of nearly 334,000 estimated units of FHA insured and assisted multifamily housing who are eligible to prepay their mortgages and thus possibly eliminating that low-income use, that we would offer the tenants with the right of first refusal for two years, the ability to convert their voucher into the monetary equivalent of a ten-year voucher. In this case it would be anywhere from $40,000, maybe a little bit more, to buy out the developer.

Now, we think that in many cases that can very well happen. We want to also provide, however, for contingencies, such as providing incentives to owners to maintain the property as low-income, if the tenants decide not to purchase the project.

I know the Congress is interested in this; we are looking for a way to work with the Congress in a preservation strategy that as I said both protects the rights of the developer, but gives ultimate concern to the low-income tenants themselves to perhaps buy, but if not, that they would get the property owner to preserve it as low-income, and then if there were in certain circumstances an owner chooses to prepay, we want to protect the owner—protect, I am sorry, the tenants in every way we can, so that that—their protection would include requiring the pre-paying owner to pay the relocation expense and six months of rental cost, plus a guarantee of HUD vouchers or certificates for eligible tenants.

Let me say, Mr. Chairman, not just parenthetically but very sincerely that we want to work with this Committee, and the Authorizing Committee, and look for a way to at least meet the need, for not only of low-income housing, but the hope of homeownership for the tenants, while protecting, of course, the rights of private property.

PROGRAMS FOR THE HOMELESS

One other thing I want to mention very briefly, Mr. Chairman. Does anybody doubt that the problems of the homeless involve much more than just shelter or some type of transitional shelter? The President acknowledges this. I do from my many trips. I think there is a synthesis among Democrats and Republicans and advocates and providers that we must tie shelter to care, to compassionate use of our welfare system to the compassionate use of job training, day care, substance abuse problems, the problems of the mentally ill, so the Shelter Plus Care program in the Hope package acknowledges that the problems of some homeless, and not trying to pick numbers now, but there are people who are in need of treatment for mental illness of one sort or another, or substance abuse of one sort or another. These are deep-seated problems, they are very complex, we are not making a moral judgment as much as we are trying to find a compassionate use of treatment with shelter, and the Shelter Plus Care component of President Bush's Hope package will provide $247 million to provide rental assistance to homeless individuals who have mental problems, or have chronic problems of alcohol, drugs or both.

We want to provide homeless individuals with both housing and supportive services, and I go into it in the Shelter Plus Care components in my testimony; I will not take it any further, except we also recognize that Congress has had an interest for a long time in Congregate Services for senior citizens.

We have wrapped the Congregate Services Program into a program called Hope for Elderly Independence. It is as you say, Mr. Chairman, very supported in the past, the idea of tying supportive services for seniors to the assisted elderly families in their housing needs to prevent premature institutionalization.

ASSISTED HOUSING PROPOSALS

I appeared before the Pepper—the Pepper committee—the one that he used to chair, I should say, and we think that this is a demonstration that can go beyond $10 million, but we have asked for $10 million for this type of demonstration program, which would involve the combination of vouchers as well as tying services to those vouchers. The 1991 budget, Mr. Chairman, proposes $13.4 billion for assisted housing, which would increase our housing assistance to poor families by more than 82,000 units, 7,000 more than Congress appropriated in fiscal year 1990.

This includes about 48,000 vouchers, 8,000 certificates, 7,000 Section 202 elderly units for the elderly and the handicapped and 11,250 units related to our preservation and property disposition proposal. I know you want to go into that in greater detail, but I did want to put that before the Committee at this point.

New construction, Mr. Chairman, is obviously an issue around which will be, along with money for housing, very contentious. My hope is that we can carry forth a debate over Federal new construction programs, in a—with a degree of civility. I would only add that those are the ones that have consistently proven to be far less efficient per person and per unit cost than tenant-based assistance.

I realize that this is something that is going to be part of the debate that is on-going in 1990, but we think we can serve far more needy people more efficiently, more efficaciously, more quickly with a billion dollars spent on vouchers and certificates than we can by spending a comparable amount for the subsidies to developers to permit new construction.

Our past experience with construction programs, whether it is 221, 236, Section 8, has been that they have, they are systemically not only expensive, they are systemically abused. You mentioned earlier, it is mismangement of HUD in the last eight years. Let me say I agree. I have not for a minute denied that the chips had to fall where they may as we cleaned out HUD, and there was gross mismanagement.

But the problems, the systemic problems that I am alluding to now have existed a lot longer than just the last eight years, and without trying to go to any other President or any other HUD Secretary, I think they are built-in failures, and I have said before the Senate and I am going to say before you, I don't believe just turning it over to the States and institutionalizing it at the State level with Federal resources is a very good answer. I won't take it any further at this point, but I would be glad to participate vigorously in the debate that is going to go forward.

Our budget reflects and reaffirms, Mr. Chairman, our commitment to protecting families in need who now receive housing assistance through Section 8. No family will lose its home because of an expiring contract. I mentioned it earlier, but at this point in my testimony, I want to reaffirm that, and whatever the cost is, Mr. Chairman, I am looking forward to working with you as well as OMB to make sure that we do not let anybody, anybody, who needs this housing lose for lack of commitment from this Administration. I know how strongly you feel in this Committee.

ELDERLY AND HANDICAPPED PROGRAMS

Our budget includes 7,000 incremental units for the elderly and handicapped I alluded to earlier. Half of those units are under Section 202 and involve new construction. We are also proposing 3,000 units of leased housing, so that we can move seniors in need of housing quickly, more quickly than it would under just a new construction program. I don't need to tell you that there are units that have also been held up in the pipeline. We are working very hard with our whole staff, Mr. Chairman, to unclog that pipeline, and you have my commitment to making sure that we move forward with dispatch to an end to a pipeline that gets clogged all too often.

We have begun our efforts to deal with that backlog problem; I can go into greater detail, but suffice to say you have my personal pledge to do everything we can to put an end once and for all, at least in my stewardship of HUD, to that backlog in 202 housing which is so important to our seniors.

FHA MORTGAGE INSURANCE

We included in our budget, Mr. Chairman, $75 billion credit limitation for the FHA mortgage insurance programs. We believe this would be ample to meet our mortgage insurance commitment requirements of 1991. I am very proud that FHA is being redesigned for the 1990's. It is a very important commitment to our Nation's low- and moderate-income homeowners and particularly first-time home buyers.

I know the interest in this Committee in helping first-time homebuyers and we have got FHA out of the insuring of golf courses and some of the mistakes of the past, and we believe with all our heart that making FHA work in the 1990's is an essential ingredient of making the American dream a reality for so many people who have been left out in the 1970's and 1980's.

GNMA

Austin Fitts is here, as is Art Hill, President of Ginnie Mae. We included $80 billion as the credit ceiling for Ginnie Mae's security program. I know you will be talking to them later, but the Ginnie Mae continues to be, we think, a very important means of attracting non-traditional investors in home mortgages, so Ginnie Mae limitation we believe fully covers, Mr. Chairman, the expected guarantee levels for 1991, based on both FHA and VA insurance on loan guarantee activity.

PUBLIC HOUSING PROGRAM PROPOSALS

In public housing we requested $1.3 billion for CIAP, double last year's request. I know it is never enough. Last year I winked in my famous—not famous, nobody even noticed, but we do acknowledge the needs of public housing modernization. You will be glad to know that we are targeting Operation Occupancy so that we no longer misuse our operating subsidies, which are $1.8 billion for Public Housing Operating Subsidies. We are launching a program called Operation Occupancy. When I got to HUD, Mr. Chairman, I found out that our Operating Subsidies were going for vacant units that were boarded up and in some cases used by crack dealers. We are now trying to reorganize, focus on occupancy, not punish the PHA for occupancy, but encourage, use an incentive, the more they can get occupied, the higher the operating subsidy, get the boards off, we are telling them, get them rehabilitated, use CIAP and Operating Subsidies, bring off the boards, get the crack dealer/user out and let's get a family, a family in need into that public housing unit rather than allow it to remain vacant. It doesn't get a lot of public attention, but it is a very important part of our commitment to pulling those units back into the—there are about 70 million we have estimated, public housing units that have been lost 70,000, slight error. But it reflects the dramatic statistic that at a time when people need help, to have a vacant unit is counter-productive to not only a city, but it is also counter-productive to our effort to remove the scourge of drugs from public housing.

HOMELESS PROGRAMS

We talked last year about fully funding McKinney. The President's 1991 budget proposes to continue funding McKinney at more than a previously authorized level.

For HUD's homeless programs and our activities at HUD for homeless, we have requested a total of $460 million, a little bit over, compared with $284 million in 1990. This includes $247 million under the Hope Shelter Plus Care Program.

It also includes $71 million for Emergency Shelter Grant Program. I saw an amazing example of that in San Diego, last week where the St. Vincent DePaul shelter, which incidentally is nonprofit, run by the diocese of the San Diego involves the Jewish community, the Mormon Church, the Evangelical Protestant Church, and gives me the belief that it can be one of the most effective ways of incentivizing the non-profits to do a job of tying shelter and care together for homeless men and women and families.

To put our budget for homeless programs, Mr. Chairman, into total perspective, the Administration is requesting about a billion dollars for all McKinney and non-McKinney Act programs in 1991, an increase of about 22 percent.

You cannot measure the success of homeless programs by money spent, but I am convinced, having traveled the country, Mr. Chairman, that this is something that every American left, right and center wants us to address directly, compassionately, and with dispatch and a sense of emergency, if you will.

COMMUNITY DEVELOPMENT BLOCK GRANTS

Our CDBG budget, Mr. Chairman, reflects a change—first of all, we have asked for $2.8 billion. It's about $163 million less than that made available to us by Congress in 1990. But in part, the lower amount reflects the elimination of the Secretary's Discretionary Fund that is part of H.R. 1.

Our CDBG budget reflects a change mandated in HUD reform which now designates Indian tribes as entitlement communities beginning in 1991.

We are proposing to improve the targeting of CDBG to benefit low- and moderate-income people and also neighborhoods in the fight against poverty.

There has been a lot of talk about this, but we think it's justified, both on the surface, politically and economically. And I hope that we can get more support for our using these scarce resources to fight poverty and not let them be siphoned off in other ways.

RENTAL REHABILITATION AND ENTERPRISE ZONES

We have asked for $70 million in rental rehab, Mr. Chairman, in 1991. We are reevaluating this program. We look forward to working with you to find ways to better target and make it more effective.

We had proposed to give additional rental rehab funds to communities with designated housing opportunity zones, established in conjunction with our Hope Initiative.

A housing zone is simply, yet profoundly, the idea that I learned about in Atlanta. I first visited Atlanta when Mayor Andy Young was there. He created very strong incentives in areas of downtown Atlanta that had been left barren.

And I asked him how he came up with the idea, and he said he got it from the Enterprise Zone. And I got the Enterprise Zone from Luis Muñoz Marin of Puerto Rico.

The whole thing is just taking the idea that there are certain areas of cities and towns in urban and rural America that are so left out of the economic development and housing opportunity that we need special incentives in these pockets of poverty to not only provide more jobs, but more housing, and not only provide more housing but more jobs.

FAIR HOUSING PROGRAMS

We think they are linked together. The Fair Housing Act finally, Mr. Chairman, is an absolute commitment by me as Secretary, by my whole team, by my Assistant Secretary Gordon Mansfield, and by the President.

We know the Congress is very interested in fair housing. We look forward to actively pursuing a vigorous and positive enforcement of the fair housing laws.

We have asked for a continued funding for our Fair Housing Assistance and Fair Housing Initiatives. These programs will supplement the Fair Housing Enforcement activities carried out by the HUD staff in the Field, provide assistance to the States and localities, as well as to private organizations and support enforcement, compliance, educational efforts.

I want to point out, Mr. Chairman, in particular our staffing needs for Fair Housing in 1991, we have asked for 762 staff years in FHEO, an increase of 66 over 1990.

The new legislation in 1988 expanded the categories of discrimination to include handicapped family status, work load and mandated under the law, so the expansion of our efforts can only be reflected in more staff and the help that this Congress has given us in the past with the money.

EVALUATION AND MONITORING

We have asked for $25 million to carry out an expanded agenda of evaluation and monitoring of our programs, Mr. Chairman. I don't think there is anybody that would doubt that this is a very important part of the HUD's role, not just to fund, but to monitor these programs.

SALARIES AND ADMINISTRATIVE EXPENSES

It also proposes $844 million for salaries, administrative expenses of the Department.

You mentioned the staff years. I would only conclude by saying that we believe this budget, Mr. Chairman, is balanced. It's prudent, it's broadly based, it has some exciting new initiatives.

We don't think it's handed to you in tablet or concrete; it's handed to you with a good faith effort by this Secretary and his team here at HUD to make sure that we become a better partner than we have in the past with this Congress in this Administration of President Bush to get busy on the extremely important task of housing and homeownership and economic development opportunities for people, even those that have been left behind.

Thank you very much for your patience and your forbearance.

OPENING STATEMENT

[The statement of Hon. Jack Kemp and the biographies of new witnesses follow:]

STATEMENT OF SECRETARY JACK KEMP

BEFORE THE SUBCOMMITTEE ON VA, HUD, AND INDEPENDENT AGENCIES

HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 3, 1990

CHAIRMAN TRAXLER, CONGRESSMAN GREEN AND MEMBERS OF THE SUBCOMMITTEE. I AM PLEASED TO BE HERE BEFORE YOU TO DISCUSS PRESIDENT BUSH'S 1991 BUDGET FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

LAST YEAR I APPEARED BEFORE THIS COMMITTEE AND TOLD YOU ABOUT THE GOALS OF HOUSING, HOMEOWNERSHIP, ENTREPRENEURSHIP AND HELP FOR THE HOMELESS THAT PRESIDENT BUSH AND I WANTED TO PURSUE AT HUD.

SINCE THEN, THE WELL-PUBLICIZED PROBLEMS IN HUD'S PAST HAVE REQUIRED US TO DEVOTE A GREAT DEAL OF ENERGY TO REFORMING SYSTEMIC FLAWS IN HUD PROGRAMS AND IMPROVING FINANCIAL MANAGEMENT AND ACCOUNTABILITY. PERHAPS THESE PROBLEMS WERE A BLESSING IN DISGUISE, HOWEVER, BECAUSE WE LEARNED THE DEGREE TO WHICH OUR PROGRAMS DESIGNED TO HELP THE POOR HAD BEEN POISONED BY FRAUD, ABUSE AND JUST PLAIN GREED. WITH THE HELP OF THE CONGRESS, WE ARE CARRYING OUT A WIDE RANGE OF ETHICS, MANAGEMENT AND FEDERAL HOUSING ADMINISTRATION REFORMS TO ENSURE THAT OUR PROGRAMS ARE NEVER AGAIN ABUSED OR MISUSED FOR POLITICAL PURPOSES, EXCESSIVE PROFIT OR PERSONAL GAIN. WE ARE IN A BETTER POSITION TODAY TO ENSURE THAT HUD'S PROGRAMS BENEFIT THOSE IN NEED. THANK YOU FOR YOUR ASSISTANCE IN PASSING H.R. 1 AND FOR PROVIDING RESOURCES TO IMPLEMENT THESE NEEDED REFORMS.

THE BUDGET WE ARE PRESENTING TO YOU IS RESPONSIBLE AND A GOOD FAITH EFFORT TO FULFILL HUD'S BASIC MISSION IN THE AREAS OF AFFORDABLE HOUSING, COMMUNITY ECONOMIC DEVELOPMENT, FAIR HOUSING AND EQUAL OPPORTUNITY. IT ALSO INCLUDES A DRAMATIC NEW INITIATIVE TO EXPAND OPPORTUNITIES FOR HOMEOWNERSHIP, PRESERVE LOW-INCOME HOUSING AND CREATE JOBS AND ECONOMIC DEVELOPMENT IN OUR DISTRESSED URBAN AND RURAL COMMUNITIES.

MR. CHAIRMAN, THE ADMINISTRATION IS REQUESTING A TOTAL OF $23.7 BILLION IN BUDGET AUTHORITY FOR 1991, REPRESENTING A REAL INCREASE IN THE DEPARTMENT'S DISCRETIONARY BUDGET AUTHORITY OF MORE THAN $78 MILLION OVER 1990. THE $23.7 BILLION FIGURE INCLUDES THE $7.7 BILLION NEEDED TO RENEW EXPIRING SECTION 8 CONTRACTS "IN KIND" FOR 5 YEARS. LAST YEAR WHEN I CAME BEFORE YOU THERE WERE DOUBTS ABOUT THE ADMINISTRATION'S COMMITMENT TO RENEWING THESE CONTRACTS. I CAME BEFORE YOU AND PLEDGED THAT ALL SECTION 8 CONTRACTS WOULD BE RENEWED, AND THIS BUDGET CARRIES OUT THAT COMMITMENT.

MR. CHAIRMAN, AS I HAVE STRESSED BEFORE BOTH OF THE HOUSING AUTHORIZING COMMITTEES THE BUSH ADMINISTRATION RECOGNIZES THE IMPORTANCE OF PROVIDING HOUSING ASSISTANCE TO LOW-INCOME FAMILIES. BUT HOUSING ASSISTANCE ALONE WILL NOT STEM THE CYCLE OF POVERTY. I DO NOT APPEAR BEFORE YOU TODAY JUST TO BEGIN AN EXTENDED DEBATE ABOUT HOW MUCH RENTAL ASSISTANCE WE CAN AFFORD AND BY WHAT

MECHANISMS THOSE FUNDS SHOULD BE ALLOCATED. MR. CHAIRMAN, I THINK A HUD SECRETARY AND THE AUTHORIZING AND APPROPRIATIONS COMMITTEES OF CONGRESS CAN DO BETTER THAN THAT. I BELIEVE THE SUCCESS OF OUR HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS SHOULD BE MEASURED NOT JUST BY THE NUMBER OF PEOPLE WE ARE SERVING OR HOW MUCH WE ARE SPENDING, BUT RATHER BY THE NUMBER OF PEOPLE WHO NO LONGER NEED GOVERNMENT ASSISTANCE; BY THE NUMBER OF PEOPLE WHO HAVE BEEN LIFTED UP AND OUT OF DEPENDENCY AND WHO HAVE PRIVATE SECTOR JOBS, INCOME AND OPPORTUNITY TO OWN THEIR OWN HOMES OR HAVE DECENT HOUSING AND SHELTER.

MR. CHAIRMAN, I RECOGNIZE THAT THERE IS A DEBATE OVER WHETHER OUR BUDGET REPRESENTS A TRUE, BUT MODEST, INCREASE. WE BELIEVE IT DOES. THE REAL CRUX OF THE DEBATE, HOWEVER, IS NOT THE BUDGET NUMBERS OR EVEN THE NUMBER OF INCREMENTAL UNITS. WE WILL HAVE FAILED OURSELVES AND THE PEOPLE WE WANT TO SERVE WITH OUR PROGRAMS IF WE DO NOT AT THE SAME TIME PROVIDE OPPORTUNITY AND ENCOURAGE SELF-SUFFICIENCY. WE BELIEVE THAT OUR BUDGET PROPOSAL HEEDS THE LESSONS OF LAST YEAR'S REFORMS BY REDUCING RESOURCES FOR FLAWED PROGRAMS THAT HAVE LED TO WASTE, DUPLICATION AND ABUSE. WE ARE ATTEMPTING TO SERVE MORE PEOPLE IN A MORE COST-EFFECTIVE WAY.

THE PRIMARY NEW INITIATIVE CONTAINED IN THE HUD BUDGET IS HOPE -- HOMEOWNERSHIP AND OPPORTUNITY FOR PEOPLE EVERYWHERE. THE HOPE INITIATIVE PROPOSES $7.2 BILLION IN TOTAL RESOURCES FOR HOUSING AND URBAN DEVELOPMENT OVER THE NEXT THREE YEARS, INCLUDING $4 BILLION IN BUDGET AUTHORITY, $1.5 BILLION IN TAX EXPENDITURES AND $1.7 BILLION IN MATCHING FUNDS FROM STATES AND LOCALITIES. THIS INITIATIVE WOULD FUND ALMOST A DOZEN PROGRAMS FOR LOW-INCOME HOMEOWNERSHIP AND TO ASSIST THE HOMELESS AND THE ELDERLY. IN ADDITION TO THE GRANT AND SUBSIDY PROGRAMS OF DIRECT INTEREST TO THIS COMMITTEE, HOPE CONTAINS OTHER PROPOSALS, SUCH AS PERMITTING THE USE OF IRAs FOR FIRST TIME HOMEBUYERS; ENTERPRISE ZONE TAX INCENTIVES; A ONE-YEAR EXTENSION OF THE LOW-INCOME HOUSING TAX CREDIT, WHICH WILL PRODUCE 125,000 UNITS OF LOW-INCOME HOUSING IN 1991; AND HOUSING OPPORTUNITY ZONES TO REDUCE BARRIERS TO THE DEVELOPMENT OF AFFORDABLE HOUSING OPPORTUNITIES.

THE HOPE INITIATIVE IS THE CORNERSTONE OF A NEW EFFORT TO EMPOWER THE POOR. IT DISAVOWS THE BELIEF THAT POVERTY IS A PERPETUAL CONDITION, THAT THE BEST PEOPLE CAN HOPE FOR IS A LIFE DEPENDENT ON WELFARE. IT ATTEMPTS TO REPLACE THE CYCLE OF POVERTY AND DEPENDENCY WITH THE LADDER OF OPPORTUNITY.

FOR 1991, THE FIRST YEAR, THE BUDGET INCLUDES $1.2 BILLION IN APPROPRIATIONS FOR HOPE. THESE FUNDS ARE FOR THE FOLLOWING COMPONENTS:

1. HOPE HOMEOWNERSHIP GRANTS. $250 MILLION IS PROPOSED FOR A NEW PROGRAM OF GRANTS TO ENABLE LOW-INCOME FAMILIES AND TENANTS TO BECOME HOMEOWNERS WITH A STAKE IN THEIR COMMUNITIES. FUNDS WILL BE AVAILABLE FOR RESIDENT HOMEOWNERSHIP IN PUBLIC HOUSING, URBAN HOMESTEADING OF GOVERNMENT-HELD VACANT AND FORECLOSED PROPERTIES, AND FINANCIALLY "DISTRESSED" PROPERTIES HELD IN THE FHA, FARMERS HOME, RTC, AND VA PORTFOLIOS. $240 MILLION OF THE RESIDENT HOMEOWNERSHIP FUNDS WILL REQUIRE MATCHING BY STATES, LOCALITIES OR NONPROFIT

ORGANIZATIONS, WHO WILL BE REQUIRED TO PROVIDE $1 FOR EVERY $2 THEY RECEIVE FROM HUD.

MR. CHAIRMAN, WE BELIEVE THE OPPORTUNITY TO OWN OR CONTROL ONE'S OWN HOME IS THE MOST BASIC FORM OF EMPOWERMENT. IN COMMUNITIES AROUND THIS NATION, NON-PROFITS, NEIGHBORHOOD GROUPS, AND COMMUNITY HOUSING AGENCIES ARE TAKING THE BOARDS OFF VACANT AND FORECLOSED PROPERTY; REHABILITATING THAT PROPERTY, OFTEN THROUGH SWEAT EQUITY; AND TURNING THOUSANDS OF DILAPIDATED HOUSES TO DECENT, QUALITY LOW-INCOME HOUSING. HOPE GRANTS WILL TAP THESE CREATIVE ENERGIES, PRESERVE AND REHABILITATE THE LOW-INCOME HOUSING STOCK, AND MAKE IT AVAILABLE FOR HOMEOWNERSHIP, AND THE PRIDE AND SELF-SUFFICIENCY THAT ENGENDERS.

IN ORDER TO FACILITATE PUBLIC HOUSING HOMEOWNERSHIP IN CONNECTION WITH THE HOPE GRANTS PROGRAM, AND TO PRESERVE LOW-INCOME HOUSING STOCK, A TOTAL OF 6,000 UNITS WOULD BE FUNDED FROM THE ANNUAL CONTRIBUTIONS ACCOUNT FOR RELOCATION, REPLACEMENT OF RENTAL UNITS DUE TO HOMEOWNERSHIP, RENTAL ASSISTANCE FOR NON-PURCHASING TENANTS, AND POST SALE SUBSIDY FOR PURCHASING TENANTS.

2. MULTIFAMILY PRESERVATION AND PREPAYMENT ASSISTANCE. THIS ASPECT OF THE HOPE INITIATIVE PROPOSES $412 MILLION IN FISCAL 1991 TO FUND A THREE-PRONGED APPROACH TO PROTECTING LOW-INCOME RESIDENTS WHO WOULD BE ADVERSELY AFFECTED BY THE MORTGAGE PREPAYMENT OF INSURED PROJECTS. HUD ESTIMATES THAT OVER THE NEXT 15 YEARS, OWNERS OF NEARLY 334,000 UNITS OF FHA-INSURED AND ASSISTED MULTIFAMILY HOUSING WILL BECOME ELIGIBLE TO PREPAY THEIR MORTGAGES, THUS POTENTIALLY ELIMINATING LOW-INCOME USE RESTRICTIONS ON THESE PROPERTIES. THE HOPE PROPOSAL WOULD, ONE, OFFER TENANT GROUPS A 2-YEAR RIGHT-OF-FIRST REFUSAL TO PURCHASE AND CONVERT THEIR BUILDINGS TO HOMEOWNERSHIP; TWO, PROVIDE INCENTIVES TO OWNERS TO MAINTAIN THE PROPERTY AS LOW INCOME, IF TENANTS DECIDE NOT TO PURCHASE THE PROJECT; AND, THREE, PROTECT THE TENANTS SHOULD AN OWNER CHOOSE TO PREPAY IN SPITE OF OUR EFFORTS TO CONVERT THE PROJECT TO HOMEOWNERSHIP OR MAINTAIN IT AS LOW INCOME. THESE PROTECTIONS WOULD INCLUDE REQUIRING PREPAYING OWNERS TO PAY RELOCATION EXPENSES AND 6 MONTHS OF RENTAL COSTS, PLUS A GUARANTEE OF HUD VOUCHERS OR CERTIFICATES FOR ELIGIBLE TENANTS.

MR. CHAIRMAN, I WANT TO STRESS THAT THE PREPAYMENT OPTION COULD NOT BE EXERCISED UNLESS THERE ARE FUNDS AVAILABLE TO PROTECT THE TENANTS. I WANT TO ASSURE THIS COMMITTEE THAT THE ADMINISTRATION IS COMMITTED TO REQUESTING SUFFICIENT FUNDS TO FINANCE THIS PROGRAM IN FY 1991 AND IN THE OUTYEARS.

3. SHELTER PLUS CARE. THE PROBLEMS OF THE HOMELESS WHO ARE MENTALLY ILL OR SUBSTANCE ABUSERS ARE DEEP-SEATED AND HAVE COMPLEX ORIGINS. THERE IS A NEED -- INDEED AN OBLIGATION -- TO ADDRESS IN A COMPREHENSIVE WAY THE TRAGEDY OF THOSE WHO ARE HOMELESS IF WE ARE TO BEGIN TO SOLVE THOSE PROBLEMS BOTH EFFECTIVELY AND HUMANELY. THE PROGRAMS OF THE

McKINNEY ACT, WHICH PROVIDE EMERGENCY SHELTER OR TRANSITIONAL HOUSING ALONE, DO NOT PROVIDE ALL THE ANSWERS. THE BUSH ADMINISTRATION BELIEVES WE MUST CHANGE THE DIRECTION OF THE DEBATE FROM "BRICKS AND MORTAR" SOLUTIONS TO A HOLISTIC APPROACH THAT COMBINES SUPPORTIVE SERVICES WITH SHELTER. THE "SHELTER PLUS CARE" COMPONENT OF HOPE WILL PROVIDE $247 MILLION FOR PROVIDE RENTAL ASSISTANCE TO HOMELESS INDIVIDUALS WHO ARE SERIOUSLY MENTALLY ILL OR HAVE CHRONIC PROBLEMS WITH ALCOHOL, OTHER DRUGS, OR BOTH. THE PROGRAM IS DESIGNED TO PROVIDE HOMELESS INDIVIDUALS WITH THE HOUSING AND SUPPORTIVE SERVICES THEY NEED TO RESTORE THEIR CHANCE TO LIVE NORMAL AND DIGNIFIED LIVES.

THE "SHELTER PLUS CARE" COMPONENT OF HOPE IS COMPRISED OF THE FOLLOWING:

-- RENTAL HOUSING ASSISTANCE FOR THE HOMELESS, A 5-YEAR FLEXIBLE RENTAL ASSISTANCE PROGRAM FUNDED AT $161 MILLION FOR 6,600 UNITS;

-- MODERATE REHABILITATION SINGLE ROOM OCCUPANCY PROGRAM (SRO), WHICH INCLUDES $49.6 MILLION OUT OF THE APPROPRIATION FOR ANNUAL CONTRIBUTIONS FOR 1,305 SRO UNITS.

-- SECTION 202(h) PROGRAM FOR THE HANDICAPPED. A TOTAL OF $35.8 MILLION WILL BE SET ASIDE UNDER SECTION 202(h) FOR A PROGRAM OF 5-YEAR PROJECT-BASED ASSISTANCE IN GROUP HOMES OR INDEPENDENT LIVING UNITS.

4. HOPE FOR ELDERLY INDEPENDENCE. WE BELIEVE, AS YOU DO, MR. CHAIRMAN, THAT SUPPORTIVE SERVICES ARE EQUALLY VALUABLE TO MANY ASSISTED ELDERLY FAMILIES IN ORDER TO PREVENT THEIR PREMATURE INSTITUTIONALIZATION. CONGRESS HAS PREVIOUSLY SHOWN ITS INTEREST IN THIS APPROACH BY FUNDING ON A LIMITED, BASIS, THE CONGREGATE SERVICES PROGRAM. THE HOPE INITIATIVE BUILDS ON THE CONCEPT OF THE CONGREGATE PROGRAM BY PROVIDING $10 MILLION FOR A DEMONSTRATION PROGRAM FOR SERVICES FOR INDEPENDENT LIVING ASSOCIATED WITH VOUCHER ASSISTANCE FOR THE ELDERLY. THIS DEMONSTRATION WILL INVOLVE 1,500 VOUCHERS USING $34 MILLION UNDER SECTION 8 OUT OF THE APPROPRIATION FOR ANNUAL CONTRIBUTIONS.

MR. CHAIRMAN, BESIDES PROPOSING NEW INITIATIVES TO EXPAND AFFORDABLE HOUSING OPPORTUNITIES AND PROMOTE ECONOMIC SELF-SUFFICIENCY, OUR 1991 BUDGET PROPOSALS REFLECT OUR CONTINUED COMMITMENT TO IMPROVING THE QUALITY OF PUBLIC HOUSING, PROVIDING LOCALITIES WITH COMMUNITY DEVELOPMENT ASSISTANCE, ENFORCING FAIR HOUSING FOR ALL, ASSISTING LOW-INCOME FAMILIES WITH RENTAL HOUSING, AND MAKING PUBLIC HOUSING DRUG-FREE.

THE 1991 BUDGET, OVERALL, PROPOSES $13.4 BILLION FOR ASSISTED HOUSING, WHICH WOULD INCREASE OUR HOUSING ASSISTANCE TO POOR FAMILIES BY MORE THAN 82,000 UNITS, 7,000 MORE THAN CONGRESS APPROPRIATED IN FY 1990. THIS INCLUDES ABOUT 48,000 VOUCHERS, 8,000 CERTIFICATES, 7,000 SECTION 202 ELDERLY UNITS FOR

THE ELDERLY AND HANDICAPPED, AND 11,250 UNITS RELATED TO OUR PRESERVATION AND PROPERTY DISPOSITION PROPOSALS.

TENANT BASED ASSISTANCE THROUGH VOUCHERS AND CERTIFICATES IS A KEY COMPONENT OF OUR RENTAL HOUSING STRATEGY FOR LOW INCOME PEOPLE. AN IMPORTANT LESSON THAT HAS BEEN REINFORCED TO ME DURING THIS PAST YEAR AT HUD IS THE VAST SUPERIORITY OF TENANT-BASED CERTIFICATES AND VOUCHERS -- COUPLED WITH PRIVATE SECTOR INCENTIVES THROUGH THE TAX CODE -- OVER SUBSIDIZED NEW CONSTRUCTION PROGRAMS IN WHICH AT LEAST A THIRD OF THE BENEFIT GOES TO THE DEVELOPER, THE SYNDICATOR AND THE LAWYER, RATHER THAN TO THE POOR PEOPLE WE SHOULD BE HELPING.

MR. CHAIRMAN, FEDERAL NEW CONSTRUCTION PROGRAMS HAVE CONSISTENTLY PROVEN TO BE FAR LESS EFFICIENT PER PERSON AND PER UNIT THAN TENANT-BASED ASSISTANCE. WE CAN SERVE FAR MORE NEEDY PEOPLE, MORE QUICKLY, WITH $1 BILLION SPENT ON VOUCHERS THAN WE CAN BY SPENDING A COMPARABLE AMOUNT FOR NEW CONSTRUCTION.

OUR EXPERIENCE WITH PAST NEW CONSTRUCTION PROGRAMS IS THAT THEY'RE EXPENSIVE; THEY BREED SCANDAL; THEY DEVELOP PHYSICAL AND FINANCIAL PROBLEMS AND HUD HAS TO BAIL THEM OUT; AND THEY REALLY DON'T HELP POOR PEOPLE. SINCE 1960, WE'VE HAD THREE SUCCESSIVE GENERATIONS OF NEW CONSTRUCTION PROGRAMS; ULTIMATELY, ALL OF THEM HAVE FAILED, AND WE ARE STILL PAYING FOR OUR MISTAKES. WE DO NOT DENY THE NEED FOR NEW HOUSING PRODUCTION IN SOME MARKETS, BUT WE BELIEVE THAT THE INCENTIVE-ORIENTED LOW-INCOME HOUSING TAX CREDIT, WHICH WILL PRODUCE UP TO 125,000 UNITS OF HOUSING IN 1991, IS THE APPROPRIATE RESPONSE TO THAT NEED.

MR. CHAIRMAN, AS I INDICATED EARLIER THIS BUDGET ALSO REAFFIRMS OUR COMMITMENT TO CONTINUE PROTECTING FAMILIES IN NEED WHO NOW RECEIVE HOUSING ASSISTANCE THROUGH THE SECTION 8 PROGRAM. NO FAMILY WILL LOSE ITS HOME BECAUSE OF EXPIRING CONTRACTS. OUR BUDGET REFLECTS THAT VERY SIGNIFICANT AND COSTLY COMMITMENT -- OVER $7.7 BILLION IN BUDGET AUTHORITY IN 1991, AN INCREASE OF $6.6 BILLION OVER 1990.

I KNOW THAT THE COMMITTEE HAS BEEN CONCERNED OVER OUR INABILITY TO FORECAST THE LEVEL OF CONTRACT RENEWAL NEEDS. WHEN WE GOT TO HUD LAST YEAR, WE WERE SHOCKED TO DISCOVER THAT THE DEPARTMENT'S DATA SYSTEMS WERE IN SUCH DISARRAY THAT THERE WAS VIRTUALLY NO WAY OF TRACKING IN OUR ACCOUNTING SYSTEM EXACTLY WHAT LEVEL OF FUNDING WOULD BE NEEDED TO ENSURE UNINTERRUPTED ASSISTANCE TO NEEDY HOUSEHOLDS. WE ASSEMBLED A TASK FORCE TO DEVELOP A PLAN FOR IMPROVEMENT LEADING TO THE DESIGN OF AN EFFECTIVE SECTION 8 ACCOUNTING PROGRAM, AND WE ARE MAKING SIGNIFICANT PROGRESS TO IMPLEMENT THE "FIX" THAT THIS PROGRAM NEEDS.

THE BUDGET INCLUDES NEARLY 7,000 INCREMENTAL UNITS FOR THE ELDERLY AND HANDICAPPED. HALF OF THESE UNITS ARE UNDER THE SECTION 202 PROGRAM AND INVOLVE NEW CONSTRUCTION. WE ARE FURTHER PROPOSING 3,000 UNITS OF LEASED HOUSING UNDER THE APPROPRIATION FOR ANNUAL CONTRIBUTIONS -- 1,700 SECTION 8 UNITS FOR THE ELDERLY AND 1,300 SECTION 162 UNITS FOR THE HANDICAPPED. MR.

CHAIRMAN, WE BELIEVE THAT ADDING A LEASED HOUSING COMPONENT WILL HOUSE PEOPLE FASTER THAN NEW CONSTRUCTION IN AREAS WHERE A SUFFICIENT SUPPLY OF HOUSING ALREADY EXISTS AND PROVIDE SPONSORS WITH INCREASED FLEXIBILITY TO MEET THE NEEDS OF THEIR ELDERLY AND HANDICAPPED POPULATIONS. WE ARE ALSO REQUESTING THAT 1,000 OF THESE UNITS BE SET ASIDE FOR THE CHRONICALLY MENTALLY ILL AS A PART OF THE HOPE INITIATIVE.

WE HAVE ALSO BEGUN TO DEAL WITH THE PROBLEM OF THE BACKLOG IN PROJECTS IN THE SECTION 202 PROGRAM. WE CANNOT AFFORD TO HAVE PEOPLE UNASSISTED WHILE FUNDS THAT HAVE ALREADY BEEN APPROPRIATED ARE TIED UP IN BUREAUCRACY. MR. CHAIRMAN, LAST DECEMBER I REPORTED TO THE APPROPRIATIONS COMMITTEES ON THE STEPS WE WERE TAKING TO ELIMINATE THE SECTION 202 CONSTRUCTION BACKLOG. WE WILL CONTINUE TO IMPLEMENT REGULATORY AND ADMINISTRATIVE CHANGES AS REQUIRED TO UNCLOG THE PIPELINE AND TO ELIMINATE IT ENTIRELY. THIS YEAR WE ARE SHIFTING $55 MILLION OF LOAN FUNDS AND $100 MILLION OF SUBSIDY DOLLARS TO FUND AMENDMENTS. FOR 1991 WE ARE PROPOSING TO USE $75 MILLION FOR THE SAME PURPOSE, TO SPEED UP ALREADY APPROVED PROJECTS IN THE PIPELINE AND SIGNIFICANTLY INCREASE THE NUMBER OF STARTS.

THE BUDGET INCLUDES A $75 BILLION CREDIT LIMITATION FOR THE FHA MORTGAGE INSURANCE PROGRAMS. THIS AMOUNT WILL BE AMPLE TO MEET OUR MORTGAGE INSURANCE COMMITMENT REQUIREMENTS IN 1991. OF IMMEDIATE IMPORTANCE, HOWEVER, IS THIS ADMINISTRATION'S COMMITMENT TO ENSURE THE LONG-TERM FINANCIAL SOLVENCY OF THE FHA FUND. THE REFORMS JUST ENACTED INTO LAW REPRESENT A CRUCIAL FIRST STEP TO GET FHA BACK INTO ITS HISTORIC MANDATE OF BENEFITTING FIRST-TIME HOMEBUYERS. IN DOING SO, HOWEVER, WE HAVE HAD TO GET OUT OF THE BUSINESS OF TAKING INORDINATE FINANCIAL RISKS FOR PROGRAMS OF LIMITED OR NO PUBLIC POLICY BENEFIT, SUCH AS MORTGAGE INSURANCE FOR LAND DEVELOPMENT AND LOANS FOR SPECULATORS, WHICH HAVE THREATENED THE FINANCIAL SOUNDNESS OF THE FHA.

THE CONTINUATION OF FHA LOSSES PROJECTED IN THIS BUDGET DEMONSTRATES THE NEED FOR ADDITIONAL CHANGES TO MAINTAIN THE SOLVENCY OF THE SINGLE FAMILY MORTGAGE INSURANCE PROGRAM. FOR THAT PURPOSE WE HAVE UNDERTAKEN A MAJOR ACTUARIAL STUDY OF THE FHA MUTUAL MORTGAGE INSURANCE FUND TO ADDRESS FHA'S LONG TERM FINANCIAL PROBLEMS. I KNOW THAT THIS COMMITTEE LOOKS FORWARD TO THE COMPLETION OF THAT STUDY AND OUR PRESENTATION OF SPECIFIC RECOMMENDATIONS FOR MAJOR OR LONG-TERM CHANGES IN THE FHA INSURANCE PROGRAM. OUR PROPOSALS, WHICH I ANTICIPATE WILL BE MADE LATER THIS SPRING, WILL BE AIMED AT MAINTAINING A SAFE AND SOUND FUND THAT BENEFITS THOSE IN THE MARKET WHO NEED FHA MOST.

THE BUDGET ALSO INCLUDES $80 BILLION AS A CREDIT CEILING FOR GNMA'S MORTGAGE-BACKED SECURITIES PROGRAM. THIS PROGRAM CONTINUES TO BE AN IMPORTANT MEANS OF ATTRACTING NON-TRADITIONAL INVESTORS IN HOME MORTGAGES, WHICH HELPS TO LOWER INTEREST RATE COSTS FOR MODERATE-INCOME HOMEBUYERS. THE GNMA LIMITATION FULLY COVERS THE EXPECTED GUARANTEE LEVELS FOR 1991, BASED ON FHA AND VA ESTIMATES OF MORTGAGE INSURANCE AND LOAN GUARANTEE ACTIVITY.

FOR PUBLIC HOUSING WE ARE REQUESTING $1.8 BILLION FOR REHABILITATION AND MODERNIZATION -- DOUBLE LAST YEAR'S REQUEST. WE REALIZE THAT MEETING THE

NEEDS OF PUBLIC HOUSING MODERNIZATION IS A GREAT CHALLENGE, AND WE ALSO REALIZE THAT OUR $1.8 BILLION PROPOSAL WILL NOT CURE ALL OF OUR MODERNIZATION NEEDS. WHILE WE ARE COMMITTED TO CONTINUE FUNDING MODERNIZATION, WE MUST IMPROVE THE PROGRAM AND ELIMINATE THE $3.4 BILLION BACKLOG OF MODERNIZATION FUNDS PREVIOUSLY APPROPRIATED BUT NOT YET SPENT. IN ADDITION TO THE TECHNICAL ASSISTANCE THAT CAN BE PROVIDED FOR THIS PURPOSE UNDER THE HOPE INITIATIVE, WE ARE ALSO REQUESTING AS PART OF OUR BUDGET FOR MODERNIZATION $5 MILLION TO PROVIDE RESIDENT MANAGEMENT TECHNICAL ASSISTANCE AND TRAINING TO RESIDENT MANAGEMENT CORPORATIONS AND COUNCILS TO HELP DEVELOP RESIDENT MANAGEMENT CAPABILITY AND ASSIST IN THE REVITALIZATION OF OUR INNER CITIES.

FINALLY, WE ARE REQUESTING OVER $1.8 BILLION FOR PUBLIC HOUSING OPERATING SUBSIDIES IN 1991. I INTEND TO LAUNCH A PROGRAM CALLED "OPERATION OCCUPANCY" WHICH WOULD PROVIDE PUBLIC HOUSING OPERATING SUBSIDIES ONLY FOR THOSE UNITS THAT ARE OCCUPIED, THUS ELIMINATING A PERVERSE INCENTIVE THAT EXISTS IN PUBLIC HOUSING TODAY WHERE VACANT UNITS ARE REWARDED WITH OPERATING SUBSIDIES.

ELIMINATING THE SCOURGE OF DRUGS IN PUBLIC HOUSING IS ONE OF THIS ADMINISTRATION'S TOP PRIORITIES. OUR BUDGET REQUEST FOR PUBLIC HOUSING DRUG ELIMINATION GRANTS IS BEING INCREASED TO $150 MILLION, COMPARED WITH $98 MILLION AVAILABLE TO US THIS YEAR. WE ARE ASKING FOR THIS AS A SEPARATE APPROPRIATION IN 1991. MR. CHAIRMAN, LET ME ADD THAT PUBLIC HOUSING AUTHORITIES MAY ALSO USE MODERNIZATION FUNDS FOR SECURITY IMPROVEMENTS AGAINST DRUGS AND DRUG TRAFFICKERS.

LAST YEAR, WE FULFILLED OUR COMMITMENT TO SEEK FULL FUNDING OF THE McKINNEY ACT. THE PRESIDENT'S 1991 BUDGET PROPOSES TO CONTINUE FUNDING THE McKINNEY ACT PROGRAMS AT MORE THAN THE PREVIOUSLY AUTHORIZED LEVELS. FOR HUD'S HOMELESS PROGRAM ACTIVITIES WE ARE REQUESTING A TOTAL OF $460.8 MILLION, COMPARED WITH $284 MILLION IN 1990. THIS INCLUDES $247 MILLION UNDER THE HOPE "SHELTER PLUS CARE" PROGRAM TO PROVIDE RENTAL HOUSING ASSISTANCE FOR THE HOMELESS, THE CHRONICALLY MENTALLY ILL HOMELESS, AND FOR SINGLE ROOM OCCUPANCY UNITS. IT INCLUDES ALSO $71 MILLION FOR THE EMERGENCY SHELTER GRANTS PROGRAM AND $144 MILLION FOR TRANSITIONAL AND SUPPORTIVE HOUSING.

TO PUT THE BUDGET FOR HOMELESS PROGRAMS INTO PERSPECTIVE, THE ADMINISTRATION IS REQUESTING NEARLY $1 BILLION FOR ALL McKINNEY AND NON-McKINNEY ACT PROGRAMS, AN INCREASE OF APPROXIMATELY 22 PERCENT.

WE ARE REQUESTING AN APPROPRIATION FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM OF $2.8 BILLION. THIS AMOUNT IS ABOUT $163 MILLION LESS THAN THAT MADE AVAILABLE TO US BY CONGRESS FOR 1990. IN PART, THE LOWER AMOUNT REFLECTS THE ELIMINATION OF THE MUCH ABUSED SECRETARY'S DISCRETIONARY FUND AS A PART OF H.R. 1, THE HUD REFORM ACT. OUR CDBG BUDGET REFLECTS A CHANGE MANDATED IN THE HUD REFORM ACT OF 1989, WHICH DESIGNATES INDIAN TRIBES AS ENTITLEMENT COMMUNITIES BEGINNING IN 1991. FURTHER, WE ARE PROPOSING TO IMPROVE TARGETING OF CDBG FUNDS TO PROJECTS BENEFITTING LOW- AND MODERATE-

INCOME PEOPLE AND TO REQUIRE AGENCIES RECEIVING THOSE FUNDS TO DEVELOP STRATEGIES FOR USING THE MONEY TO FIGHT POVERTY.

TO GIVE FURTHER SUPPORT TO MY GOAL OF EXPANDING RESIDENT OWNERSHIP AS WELL AS PRESERVING INNER CITY NEIGHBORHOODS, WE HAVE QUADRUPLED LAST YEAR'S REQUEST FOR THE URBAN HOMESTEADING PROGRAM. TO SUPPLEMENT THE REGULAR PROGRAM THIS YEAR, WE ARE PROPOSING TO TRANSFER $11.4 MILLION OF UNOBLIGATED UDAG BALANCES TO SUPPORT THE HOMESTEADING OF ADDITIONAL FHA PROPERTIES. THIS IS CONSISTENT WITH OUR POLICY OF HELPING TO INCREASE HOMEOWNERSHIP OPPORTUNITIES FOR LOW-INCOME PERSONS, AND I WANT TO THANK YOU, MR. CHAIRMAN, FOR INCLUDING THIS REQUEST IN THE FISCAL 1990 SUPPLEMENTAL APPROPRIATIONS BILL.

THE BUDGET PROPOSES AN APPROPRIATION OF $70 MILLION FOR THE RENTAL REHABILITATION GRANTS PROGRAM IN 1991. WE ARE RE-EVALUATING THIS PROGRAM AND LOOKING FOR WAYS TO BETTER TARGET AND MAKE IT MORE EFFECTIVE. WE ARE PROPOSING TO GIVE ADDITIONAL RENTAL REHABILITATION FUNDS TO COMMUNITIES WITH DESIGNATED "HOUSING OPPORTUNITY ZONES" ESTABLISHED IN CONJUNCTION WITH THE HOPE INITIATIVE. WE WANT TO PROVIDE INCENTIVES TO COMMUNITIES TO IDENTIFY AND REMOVE BARRIERS TO THE PRODUCTION OF AFFORDABLE HOUSING.

UNDER PRESIDENT BUSH, ENFORCEMENT OF THE FAIR HOUSING ACT IS A PRIMARY GOAL OF HUD. WE ARE ASKING FOR CONTINUED FUNDING FOR THE FAIR HOUSING ASSISTANCE AND FAIR HOUSING INITIATIVES PROGRAMS IN 1991. THESE PROGRAMS SUPPLEMENT THE FAIR HOUSING ENFORCEMENT ACTIVITIES CARRIED OUT BY HUD STAFF IN THE FIELD. THEY PROVIDE ASSISTANCE TO STATES AND LOCALITIES AS WELL AS TO PRIVATE ORGANIZATIONS, SUPPORTING ENFORCEMENT, COMPLIANCE AND EDUCATIONAL EFFORTS. I WANT TO POINT OUT, IN PARTICULAR, OUR STAFFING NEEDS FOR THE FAIR HOUSING PROGRAMS IN 1991 -- WE ARE ASKING FOR 762 STAFF-YEARS IN FHEO, AN INCREASE OF 66 OVER 1990. SINCE NEW LEGISLATION IN 1988 EXPANDED THE CATEGORIES OF DISCRIMINATION TO INCLUDE HANDICAP AND FAMILIAL STATUS, OUR WORKLOAD, MANDATED UNDER THE LAW, HAS EXPANDED GREATLY.

THE HUD REFORM ACT AUTHORIZES AN APPROPRIATION OF $25 MILLION TO CARRY OUT AN EXPANDED AGENDA OF EVALUATION AND MONITORING OF OUR PROGRAMS. WE ARE PROPOSING, INSTEAD, THE TRANSFER OF THAT AMOUNT FROM SELECTED APPROPRIATIONS IN 1991. WE BELIEVE THAT IMPROVED MONITORING OF HUD PROGRAMS IS ESSENTIAL IF WE ARE TO AVOID A RECURRENCE OF PROBLEMS LIKE THOSE WE EXPERIENCED IN THE PAST. THIS FUNDING WOULD BE IN ADDITION TO THE $23 MILLION REQUESTED FOR THE RESEARCH AND TECHNOLOGY APPROPRIATION.

THE BUDGET PROPOSES $844.3 MILLION FOR SALARIES AND ADMINISTRATIVE EXPENSES OF THE DEPARTMENT, INCLUDING $389 MILLION IN TRANSFERS FROM THE FHA FUNDS. THE TOTAL INCLUDES $37.8 MILLION FOR THE OFFICE OF INSPECTOR GENERAL AND $806.5 MILLION FOR THE REST OF THE DEPARTMENT. THIS IS AN INCREASE OF $84 MILLION ABOVE THE AMOUNT WE HAVE AVAILABLE IN 1990, AND WILL SUPPORT AN ADDITIONAL 725 STAFF-YEARS OVER THIS YEAR. THE INCREASE IS IMPORTANT IF WE ARE TO BETTER SERVE THE POOR AND THOSE IN NEED WHO DEPEND ON HUD PROGRAMS AND, IT IS NECESSARY, TOO, IF WE ARE TO FULLY AND SWIFTLY IMPLEMENT THE REFORMS ENACTED AS PART OF H.R. 1. THE ESTIMATE INCLUDES AN INCREASE OF 460 STAFF-YEARS FOR HOUSING PROGRAMS. IN ADDITION TO THE 6,576 STAFF-YEARS AVAILABLE IN FY 1990, WE HAVE ALSO ASKED FOR INCREASES FOR THE ADMINISTRATIVE LAW JUDGE IN DEPARTMENTAL MANAGEMENT, THE GENERAL COUNSEL'S OFFICE AND FIELD LEGAL SERVICES TO SUPPORT THE EXPANDED WORK UNDER THE FAIR HOUSING PROGRAM. THE INCREASE ALSO INCLUDES MORE STAFF FOR THE OFFICE OF INSPECTOR GENERAL.

FINALLY, MR. CHAIRMAN THE SALARIES AND EXPENSES ITEM INCLUDES $34 MILLION FOR INCREASED ADP COSTS. THESE ARE ESSENTIAL IF WE ARE TO IMPROVE THE FINANCIAL MANAGEMENT SYSTEMS OF THE DEPARTMENT, IMPROVE OUR ABILITY TO GET TIMELY AND DEPENDABLE DATA, AND BE ABLE TO MANAGE THE REFORMS WE HAVE INITIATED.

MR. CHAIRMAN, WE BELIEVE OUR BUDGET IS A BALANCED AND BROAD-BASED PROPOSAL WHICH WILL MEET OUR CONTINUING NEEDS AND ALSO MOVE PEOPLE UP AND OUT OF DESPAIR AND DEPENDENCY BY PROVIDING TOOLS FOR ECONOMIC AND SOCIAL SELF-SUFFICIENCY. THE ADMINISTRATION LOOKS FORWARD TO WORKING WITH YOU TO ADDRESS OUR HOUSING AND ECONOMIC DEVELOPMENT PRIORITIES.

MR. CHAIRMAN, THIS STATEMENT HIGHLIGHTS THE HUD BUDGET FOR 1991. MY STAFF AND I WILL BE HAPPY TO TRY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

U.S. Department of Housing and Urban Development
Washington, D.C. 20410

December 1988

Biography

Paul Adams

Inspector General
U.S. Department of Housing and Urban Development

Paul A. Adams was nominated to be Inspector General by President Ronald Reagan on April 1, 1985, and his appointment became effective June 6, 1985. As Inspector General for HUD, Mr. Adams conducts, supervises and coordinates audits and investigations relating to the programs and operations of HUD. His duties also include recommending policies and coordinating activities that facilitate the prevention and detection of fraud and abuse in HUD programs and operations.

As a statutory Inspector General, he serves on the President's Council on Integrity and Efficiency which is charged with responsibility for eliminating fraud, waste and mismanagement throughout the Federal Government. He was selected to chair the Council's Training Committee in June 1986 and is a member of several other committees.

Born in Lawrenceville, Georgia, Mr. Adams began his career with the agency in 1962 in its Atlanta, Georgia Inspection Division. In 1969, Mr. Adams transferred to HUD national headquarters in Washington, D.C. to serve as a Supervisory Investigator, and in 1973, he was promoted to Senior Inspector in the Investigation Division.

He became HUD's chief investigative officer in 1977 when he was promoted to the position of Assistant Inspector General for Investigation. In this capacity, he managed and directed Departmental investigative activities nationwide.

In 1980, Mr. Adams was selected as Deputy Inspector General. His accomplishments in that position were recognized by receipt of the Presidential Meritorious Rank Award in 1982, four Senior Executive Service (SES) Performance Awards and five SES outstanding performance ratings.

A member of the Association of Federal Investigators since 1969, he has held terms as the organization's Vice President and President and has also served on its Advisory Board and National Executive Committee.

He is a member of the International Association of Chiefs of Police, the Federal Criminal Investigators Association, the Federal Executive Institute Alumni Association, and the Association of Government Accountants (AGA). He has served for two consecutive years on the Technical Program Planning Committee for the AGA's annual Professional Development Conference.

Mr. Adams earned a Bachelor of Commercial Science degree from Benjamin Franklin University in Washington, D.C., in 1960. He lives with his wife Deanna, and son Kevin in Crofton, Md.

Interagency Council on the Homeless

BIOGRAPHICAL SKETCH FOR PATRICIA CARLILE

Pat Carlile was appointed Executive Director of the Interagency Council on the Homeless on April 3, 1989.

Previously, Ms. Carlile was a Board Member of the National Alliance to End Homelessness, an organization which is initially responsible for encouraging the establishment of the homeless task force which preceded the Council. Under the leadership of Chairman Jack Kemp and Ms. Carlile's direction, the Council has moved aggressively in raising the National consciousness of the Federal government's commitment to end homelessness.

Ms. Carlile has extensive experience in the Federal government, including involvement with the creation of two Congressionally mandated organizations, the Federal Energy Administration and the National Futures Association -- a private sector regulatory organization which helps regulate the commodities futures industry. She also worked at the Department of Health and Human Services and the Department of Treasury, and was Associate Director of Presidential Personnel during the Reagan Administration.

Before joining the Council, Pat Carlile managed her own executive search consulting firm, Carlile Consultants, for seven years. During that time, she worked with a variety of organizations in the corporate and non-profit sectors including the health care, financial services, and real estate development industries. Prior to managing her own company, Ms. Carlile had been a partner of Leon A. Farley Associates.

Ms. Carlile received her B.A. degree from Pace University in New York City. She is a native of Texas.

U.S. Department of Housing and Urban Development
Washington, D.C. 20410

June 1989

Biography

Alfred A. DelliBovi
Under Secretary
U.S. Department of Housing and Urban Development

Alfred A. DelliBovi was nominated by President Bush to be Under Secretary of Housing and Urban Development (HUD) on March 27, 1989. He was confirmed unanimously by the Senate on June 9 and sworn into office on June 13, 1989.

As HUD Under Secretary, Mr. DelliBovi serves as second-in-command of the federal government's primary housing and community development activity. He is responsible with Secretary Jack Kemp for a wide variety of federally-assisted housing, economic development and fair housing programs. He assists Secretary Kemp in overseeing the Department's daily operations and will serve as acting Secretary in the Secretary's absence.

In addition, Mr. DelliBovi will assist Secretary Kemp in the implementation of a six-point agenda described as "Recapturing the American Dream." The six points include the following: Expand home ownership and affordable housing opportunities; create jobs and economic development through enterprise zones; help end the tragedy of homelessness; empower the poor through resident management and homesteading; enforce fair housing laws and make public housing drug-free.

Prior to his selection as HUD Under Secretary, Mr. DelliBovi served as Administrator of the Department of Transportation's Urban Mass Transportation Administration (UMTA), 1987-89. His stewardship of America's $3 billion mass transportation program was marked by aggressive attention to internal management improvements and implementation of successful partnerships between the public and private sectors. These partnerships offered new economic opportunities in the transportation industry for many small businesses, including women- and minority-owned enterprises.

Mr. DelliBovi served as UMTA's Deputy Administrator, 1984-87, and as Regional Administrator in the New York Region, 1981-84. A former high school teacher, Mr. DelliBovi was elected to four terms in the New York State Assembly.

A native New Yorker, Mr. DelliBovi was graduated from Fordham College and holds a Master of Public Administration degree from Baruch College (City University of New York). He is married to the former Elizabeth Power of Belle Harbor, New York. They and their two children, Christine and Robert, reside in Burke, Virginia.

U.S. Department of Housing and Urban Development
Washington, D.C. 20410

September 1989

Biography

C. Austin Fitts
Assistant Secretary for
Housing-Federal Housing Commissioner
U.S. Department of Housing and Urban Development

C. Austin Fitts was nominated by President Bush on May 31, 1989 to be the first woman Assistant Secretary for Housing-Federal Housing Commissioner. She was confirmed unanimously by the Senate on August 2, 1989 and sworn into office on August 4, 1989.

Ms. Fitts is responsible for directing the housing policies of the Department, and functions which include the production, financing and management of government assisted housing. Her responsibilities also include the management of the government-backed mortgage insurance programs of the Federal Housing Administration (FHA), and the preservation and rehabilitation of HUD's inventory of foreclosed properties.

Prior to her nomination, Ms. Fitts was a Managing Director and member of the Board of Directors of Dillon, Read & Co. Inc., of New York City, a firm engaged in corporate, energy and public finance, and mergers and acquisitions.

Ms. Fitts is currently a member of the Economic Club of New York; the Graduate Executive Board, Wharton School, University of Pennsylvania, and the Financial Women's Association of New York.

She is a former member of the Board of Overseers, University of Pennsylvania, School of Arts and Sciences; the Board of Directors, Dillon, Read & Co.; the Bond Club of New York, Inc.; the Board of Directors, Wharton Business School Club of New York, Inc.; Board of Trustees, Bank Street College; Capital Task Force Financial Advisory Group, New York City Board of Education; Advisory Board, Joint Center for Urban Mobility Research, Rice Center, and the Board of Directors, New York City Food Bank.

Born in Philadelphia in 1950, Ms. Fitts received an A.A. from Bennett College in 1970; a B.A. from the University of Pennsylvania in 1974, and an M.B.A. from the Wharton School in 1978. She also studied at the Yale-in-China Language Institute at the Chinese University.

She maintains residences in Washington, D.C. and Jackson, New Hampshire.

U.S. Department of Housing and Urban Development
Washington, D.C. 20410

March 1990

Biography

Arthur J. Hill
President
Government National Mortgage Association

Arthur J. Hill was nominated by President Bush to be the 10th President of the Government National Mortgage Association (GNMA), Department of Housing and Urban Development, on November 21, 1989. He was confirmed unanimously by the Senate on March 7, 1990 and sworn into office on March 12, 1990.

GNMA programs channel funds from capital markets into mortgage markets to support Federal housing programs for low and moderate income home buyers. With the full faith and credit of the United States, GNMA guarantees securities issued by private institutions which participate in the Federal Housing Administration's or the Department of Veterans' Affairs mortgage programs.

Immediately prior to his nomination as GNMA's President, Mr. Hill was Chairman, President, Chief Executive Officer, and a Director of the Peoples National Bank of Commerce in Miami, Florida. Under his leadership, the financially distressed institution was totally recapitalized and returned to a profitable position.

Mr. Hill began his career at Southeast Bank, N.A. in Miami, Florida where he spearheaded the development of the bank's Money Market Department and served as Vice President of Corporate Lending. He later served as Vice President and Regional Manager for Corporate Lending at the Amerifirst Federal Savings and Loan in Miami. He is a founding member of Business Against Drugs, which is headquartered in Miami.

Mr. Hill's honors include membership in the 1989 Business Leadership Hall of Fame, sponsored by Junior Achievement of Greater Miami, and his selection as one of 24 Americans who participated in the British-American "Successor Generation" project sponsored by the Johns Hopkins School of Advanced International Studies, the Royal Institute of London, and the Pew Charitable Trust. He was Florida State Chairman of Black Republicans for Bush in 1988.

Mr. Hill was born on the Fourth of July, 1948, in Jacksonville, Florida.

He received his Bachelor of Science Degree in Business Administration and Economics from Florida Memorial College, and his Master's Degree in Agricultural Economics from the University of Florida. He holds a Graduate Diploma from Southern Methodist University's Graduate School of Banking. Mr. Hill is the parent of an adult daughter. He maintains residences in Washington, D.C. and Miami, Florida.

U. S. Department of Housing and Urban Development
Washington, D. C. 20410

April 1990

Biography

Michael F. Hill
Deputy Assistant Secretary for Administration
U. S. Department of Housing and Urban Development

Michael F. Hill was appointed as Deputy Assistant Secretary for Administration on February 25, 1990 by Secretary Jack Kemp. In this capacity, he serves as the Department's management official responsible for the day-to-day operations of a wide array of management/administrative functions, including personnel, ethics, budget, finance and accounting, administrative services, procurements and contracts and organization and management information.

Prior to his appointment as Deputy Assistant Secretary, Mr. Hill served as Deputy Director of the Bureau of Engraving and Printing, Department of the Treasury. Mr. Hill also served in several other executive positions at the Department involved with managing critical Department functions or programs, including Associate Director for Policy and Management at the U. S. Mint and Deputy Assistant Secretaries positions for both Administration and Management for the Department of the Treasury.

Mr. Hill also served as Project Director for the National Environment Development Association's Clean Air Act Project and Director for Government Affairs for the National Solid Waste Management Association. A former college instructor, Mr. Hill served at the local level in government as an assistant to the Mayor of Knoxville, Tennessee during the mid-1970s and as Director of Knox County (Tennessee) Medical Services during 1971-1972.

A native of Louisiana, Mr. Hill was graduated from the University of Hawaii and holds a Master of Arts in English from McNeese State University (Louisiana). He has also completed course work for a Ph.D. in English from the University of Tennessee in Knoxville.

He is a resident of Washington, D. C.

MICHAEL B. JANIS

General Deputy Assistant Secretary for Public and Indian Housing

In his capacity as the General Deputy Assistant Secretary for Public and Indian Housing, Michael B. Janis is responsible for daily program operations and directs the Public and Indian Housing programs pending the appointment and confirmation of an Assistant Secretary for Public and Indian Housing. These programs are designed to help meet the housing needs of low-income people.

Mr. Janis has been the General Deputy since October 8, 1989. From July 1989 until his current appointment, he was a Special Assistant primarily responsible for directing the Public and Indian Housing component of the Secretary's Task Force on Program Financial Management. Previously, he served in the HUD Atlanta Regional Office as Regional Director of the Office of Public Housing from 1984-1988 and as Regional Director of the Office of Housing from 1988-1989.

Mr. Janis entered the Federal career service as a Housing Intern with the Department in 1964 and served until 1971 in various positions in the Urban Renewal and Model Cities programs in both the Atlanta Regional Office and at Headquarters. During the following 13 years, he held various positions in the Atlanta Region as Special Assistant to the Regional Administrator from 1971-1972, as Director of Program Planning and Evaluation from 1972-1979, as Deputy Area Manager of the Atlanta Area Office from 1979-1982, and as Acting Area Manager from 1982-1984.

A native of Chicago, Illinois, Mr. Janis received a Bachelor of Arts (B.A.) from the University of Florida in 1964. He later earned a Master of Public Administration (M.P.A) degree from the University of Southern California in 1974.

Active in community affairs in Atlanta, Mr. Janis served as President of the Twin Lakes Community Center and also was active in service to the Atlanta Jewish Community Center.

Mr. Janis received the Secretary's Outstanding Performance Award in 1988, the HUD Certificate of Merit in 1978, the U.S. Civil Service Commission Award for Education in Public Management in 1973, and numerous other commendations and awards during his 25 year career with the Federal Government.

He served in the U.S. Army Reserves from 1966-1972.

Mr. Janis is married to the former Cynthia Citrin of New York City and they have four children, Howard Fensterheim, Lauren Fensterheim, Stephen Janis and Eric Janis.

U.S. Department of Housing and Urban Development
Washington, D.C. 20410

November 1989

Biography

Anna Kondratas
Assistant Secretary for
Community Planning and Development
U.S. Department of Housing and Urban Development

Anna Kondratas was nominated by President Bush to be Assistant Secretary for Community Planning and Development on June 9, 1989, confirmed unanimously by the Senate on September 14, 1989, and sworn into office on September 20, 1989.

Mrs. Kondratas is responsible for the management of HUD's community development programs. Her responsibilities include: programs to help create new job opportunities and economic growth; programs to assist the revitalization of depressed neighborhoods; programs to assist the homeless and to encourage private initiatives to erase the tragedy of homelessness, and the administration of multi billion dollar grant and loan guarantee programs targeted to assist low and moderate income Americans in the states and communities. She also represents the Department on the White House Low Income Opportunity Board, the Domestic Policy Council's Working Group on Health Policy, the Economic Policy Council's Working Group on Rural Development, and the Interagency Council on the Homeless.

Immediately prior to her nomination as HUD's Assistant Secretary for Community Planning and Development, Mrs. Kondratas was Administrator of the Food and Nutrition Service at the U.S. Department of Agriculture. From September, 1986 to March, 1987, she was the Director of the Office of Analysis and Evaluation at the Food and Nutrition Service. Before her service at the Department of Agriculture, Mrs. Kondratas was a Senior Policy Analyst and a Schultz Fellow in Social Welfare at the Heritage Foundation. She earlier directed issues research for the Republican National Committee.

Mrs. Kondratas was born in Lithuania and grew up in Boston. She was a Fulbright Scholar in Poland and received her B.A. Magna Cum Laude from Harvard University where she was elected to Phi Beta Kappa. She has an M.A. from Boston University and an M.B.A. from George Mason University. She has published numerous articles and papers on poverty, welfare and entitlement reform. She is the coauthor of a book, entitled **Out of the Poverty Trap**, published in 1987.

Mrs. Kondratas, her husband and two children reside in Springfield, Virginia.

U.S. Department of Housing and Urban Development
Washington, D.C. 20410

December 1989

Biography

Gordon H. Mansfield
Assistant Secretary for
Fair Housing and Equal Opportunity

Gordon H. Mansfield was nominated by President Bush to be Assistant Secretary for Fair Housing and Equal Opportunity on October 3, 1989, confirmed unanimously by the Senate on November 22, 1989, and sworn into office on December 11, 1989.

Mr. Mansfield is one of the highest ranking disabled Vietnam veterans serving in the Bush Administration. His responsibilities include the enforcement of the strengthened Fair Housing Law which calls for financial sanctions against those who discriminate because of a person's race, religion, sex, national origin, family status, or disability.

From 1981 until his nomination, Mr. Mansfield served as the Associate Executive Director for Government Relations with the Paralyzed Veterans of America (PVA).

He was responsible for PVA's policy development, long range planning, and program management. He managed the Washington, D.C. office and 49 chapter and subchapter offices throughout the United States. In addition, he directed PVA's National Legislative, National Advocacy, and Architecture and Barrier Free Design programs which were concerned with such issues as housing, income maintenance, education and training, employment, and civil rights for disabled veterans and other disabled Americans.

Prior to his position with the PVA, Mr. Mansfield practiced law in Ocala, Florida and specialized in poverty related litigation.

Born September 15, 1941 in Pittsfield, Massachusetts, he received his B.A. degree from Villanova University in 1964 and his law degree from the University of Miami in 1973. Following his graduation from Villanova University, Mr. Mansfield enlisted in the Army, attended Officer's Candidate School and received Ranger and Airborne training. During his second tour of duty in Vietnam, he was a captain and company commander with the 101st Airborne Division when he suffered a major spinal cord injury. His combat decorations include the Distinguished Service Cross, the Bronze Star, two Purple Hearts, the Combat Infantryman's Badge, and the Presidential Unit Citation.

Mr. Mansfield resides with his wife, Linda, and two sons in Alexandria, Virginia.

U.S. Department of Housing and Urban Development
Washington, D.C. 20414

November 1989

Biography

Dr. John C. Weicher
Assistant Secretary for
Policy Development and Research

Dr. John C. Weicher was nominated by President Bush to be Assistant Secretary for Policy Development and Research on May 16, 1989, confirmed unanimously by the Senate on September 14, 1989, and sworn in office on October 17, 1989.

Dr. Weicher is responsible for the management of HUD's research, policy development, and economic analyses, and for the support of the goals of President Bush and Secretary Kemp to create opportunities for homeownership, jobs, and economic development.

From 1987 until his nomination, Dr. Weicher was Associate Director for Economic Policy in the White House Office of Management and Budget. Prior to that post, he was Deputy Staff Director for President Reagan's Commission on Housing.

Dr. Weicher previously served in the Department of Housing and Urban Development as the Deputy Assistant Secretary for Economic Affairs; as the Director for the Division of Economic Policy, and as an Analyst for the 1973 National Housing Policy Review. He currently is on leave from the American Enterprise Institute where he held the F.K. Weyerhaeuser Chair in Public Policy Research.

From 1977 until 1981, Dr. Weicher directed a research program on housing and financial markets at the Urban Institute. He was an Associate and an Assistant Professor of Economics at the Ohio State University, and an Assistant Professor of Economics at the University of California at Irvine. He is a former President of the American Real Estate and Urban Economic Association; a former member of the Committee on Urban Policy of the National Academy of Sciences, and was a member of the Census Advisor Committee on Population Statistics. He is the author of eight books and numerous articles on housing, urban problems, and the Federal budget.

Born March 8, 1938 in Chicago, Dr. Weicher received an A.B. from the University of Michigan in 1959 and his Ph.D. from the University of Chicago in 1968.

Dr. Weicher, his wife, and their son and daughter reside in Washington, D.C.

Mr. **Traxler**. Thank you for that fine statement, Mr. Secretary, and be assured that this subcommittee looks forward to working with you also to provide adequate and decent housing for America's poor and lower-middle income people.

HOUSING AUTHORIZATION AND RELATED REGULATIONS

As I understand, the Administration's housing program, legislation has been submitted to the Congress this past March. Those proposals in the authorizations for other HUD programs are currently being considered by the House and Senate Banking Committees, except, of course, for the tax managers which are pending before the Ways and Means Committee.

And the ultimate outcome of the housing authorization legislation will depend upon negotiations, I assume, between the Administration, in which you will play an important part.

The Banking Committees will report legislation to which some part at least will reflect their views. I suspect one of the authorizing committees biggest problems will be to craft a bill within a limited budget that funds both the existing programs and creates the new ones that you and the Administration are talking about.

That, of course, becomes this subcommittee's problem in a sense. But here's the question: How long after the legislation is enacted, and maybe you can peek into your crystal ball and tell us what you know to be the plan or the time table in which the authorizing committees are operating. How long after that legislation is enacted do you estimate it will take before the regulations and the handbook instructions are completed for the newly authorized programs?

And just thinking back, we recall that it took several years in a prior time, after the enactment of the voucher program, before the funds could be utilized.

So give us sort of your reading on that.

Secretary **Kemp**. Well, I am not frustrated by the question, because it's a legitimate one. I am frustrated by the depth of the question because it, in different areas, would manifest itself in different timeframes.

In other words the voucher thing did take a long time. We moved, for instance, FHA from co-insurance program, which was mightily flawed and poisoned into full insurance of multi-family urban American housing.

So we are working on that as we speak, and we think we are within days, weeks, maybe that type of program.

I would like to get FHA into insuring construction and rehabing, as would Austin Fitts, of SRO Facilities, knowing how important that is for our cities and homeless people.

So the regulations, having never done anything like this in the past myself, I have been amazed at the devotion of time and talent to the effort to get those regs out, published, commented on by the public and moving forward.

I can only pledge to you, Mr. Chairman, that we have a sense of urgency, we have a sense almost of emergency, we have a sense of activism. And we believe that we can cut the—cut through the inertia and bureaucracy to move with the same sense of mission that you would expect of us.

I cannot give you a timeframe. I can tell you that we would go all out, Mr. Chairman, because we think this is an urgent/emergency issue.

Al tells me we have done it in the past in six months. I don't think we could say that there would be some different time limits on different programs, but we believe we could do it within six months.

How is that for a ballpark.

SCHEDULE AND APPROPRIATIONS ACTION

Mr. **Traxler**. That is a ballpark answer, and it's going to be an incredible challenge. Of course, we don't know whether the authorizing legislation is going to clear both houses of the Congress and go to the President.

That poses some problems for this subcommittee, which is waiting for a 302B allocation. If history is any guide, we will be in a mark-up frame somewhere near the end of May and hopefully be able to get our bill considered by the House at least prior to the 4th of July recess.

That has always been the game plan. We don't know exactly how the budget is working out this year as you can appreciate. We have our problems in the Congress in terms of budget issues and the Budget Committee trying to solve some very, very difficult questions.

We don't know how our 302(b) is going to work out. In the past, the subcommittee has been most reluctant to fund programs that are not authorized, and we are sensitive to the pleas of our authorizing colleagues not to trespass on their prerogatives.

I might say that we appreciate that your crystal ball is perhaps as cloudy as ours is, but what information have you had from the authorizing committees as to what their time table might be on this legislation?

Secretary **Kemp**. Pretty much what you have said, Mr. Chairman. Pretty much what you—you know, everybody would like to go into markup some time in May.

I think there is a sense of urgency both here and over in the other body. I can tell you, and pledge to you and every Member of this Committee, we'll match your sense of urgency with our sense of urgency.

We are already conceptualizing how we would do it. Some thought is already being given at HUD to the type of challenge that you present to us, and I can just pledge to you that as we speak, we are in the process of using as our predicate the new legislation.

There will be a debate over money, debate over some of these programs. I am told by Tim Coyle that Chairman Gonzalez and Mr. Cranston in the Senate have both committed to moving to markup in the next three weeks.

The bill that the President offered Hope has been introduced in the House by a request by both Mr. Wylie and Chairman Gonzalez and in the Senate by Don Reigle and the Ranking Republican, Jake Garn.

So I think there is a tremendous desire to move swiftly to markup, and I just pledge to you that we will move as swiftly with our process at HUD, in drafting the regulations.

Mr. **Traxler**. We appreciate that. That will assist this subcommittee because we are not in a position where we can make appropriation for programs that have not been authorized.

Mr. Green.

DRUG ELIMINATION GRANTS

Mr. **Green**. Thank you, Mr. Chairman.

Mr. Secretary, you mentioned in your statement the war on drugs in public housing, and certainly we support that effort.

But I was a little puzzled when the first round of awards of about $8 million was made in March and none of the Nation's largest cities housing authorities got funded.

I am not questioning for one minute the need for these funds in Newark, New Jersey. I know there is a need for them there, or in Glencove, New York, or in Shaunty, Oklahoma or Huntsville, Alabama. but I am a little puzzled on how HUD conducts a war on drugs in public housing and doesn't fund New York City, Philadelphia, Chicago, Baltimore.

Secretary **Kemp**. Well, in our rush to move forward on the NOFA, we think it was excluded indirectly. And we have gone back to the drawing boards in redesigning the NOFA to make sure that we more adequately touch the public, the troubled public housing authorities.

The desire of H.R. 1, both by the Congress and by the Bush Administration, to totally reform HUD and turn it upside down in our desire to make it totally competitive, totally sunshine, totally based on merit, might have led unfortunately to some circumstances in which maybe need—the needs of large PHAs were not adequately considered.

I am not giving you the answer you want, but all I can tell you is that we are working on redesigning the NOFA to make sure here and in the future that we do a better job.

Now, let me say that was done almost on an emergency basis bill. It was a rather limited amount, as you know. It was only $8.2 million.

It's going to be $96 million in this fiscal year, and we pledge to you to make sure that we do it in such a way as to more adequately address the needs of both large and small PHAs who have been troubled by this scourge.

Mr. **Green**. I certainly do appreciate this.

Secretary **Kemp**. I am not going to sit back there and pull the strings, but I do want to assure you and the Congress that we are going to do it the right way.

HOMEOWNERSHIP OF PUBLIC HOUSING

Mr. **Green**. Let me turn to another subject that is dear to your heart, and that is the home ownership for public housing tenants.

In last—September of last year, I received a fiscal analysis of the Kenilworth Parkside Home Ownership Project prepared by the National Center for Neighborhood Enterprise, and it raised some troubling questions for me about the program.

As I read that analysis, the cost for complete modernization is $49,000 per unit, and I am told that a recent GAO report thinks that that may actually be low.

That compares with a Council of Large Public Housing Authorities 1988 Study that estimates the money need at $12,233 nationally per unit, and HUD's Region 3 average per unit cost of $14,554 per unit.

The study also projects, in order to show financial feasibility, a 10 percent increase in family income per annum during the five-year conversion period and a 5.25 percent increase thereafter.

And I just want to know if these are the kinds of assumptions that HUD uses, because if memory serves, the history of tenant incomes within public housing is that it rises more slowly than national income averages.

So I would really welcome your comments on that study.

Secretary **Kemp**. Well, Bill, I appreciate the question and it's got to stand on its own merits.

And you can be assured that despite my enthusiasm for the idea of tenant management and performing of resident management corporations with an idea that homesteading can take place over three years, leading to private ownership, I know at Kenilworth we have really gone through kind of a "valley of the shadow" experience.

Let me say that there are a couple ways of putting this in perspective. First of all, the CIAP money would have been theirs irrespective of the homeownership and urban homesteading goal.

In other words, the monies that would have been received from CIAP would be approved prior to any effort to move towards the resident management, and homeownership program.

So it was deserving of rehabilitation under all applicable criteria, irrespective of the effort towards homesteading.

Incidentally, the property went without any heat, without any hot water, for literally more than three years prior to the assumption of resident management in 1981.

It's been vastly improved to the point that Laventhol and Horath, a big-eight accounting firm, says that Kenilworth ultimately will save the Federal Government $11 million during the first 15 years of this program.

We agree with you, Bill, that the high cost of renovating Kenilworth Parkside is troubling, but we think it has taken place over 15 years. You don't hear Kemp blaming problems on just other people; but having been at HUD for a year, I am now convinced that there have been incredible problems in the District of Columbia Housing Authority. It would be unseemly of me simply to just say that it's all their fault.

But there was a severe problem in that it took so long, spread out over 15 years, and led to inordinate costs of rehab. I'll finish with this.

We asked the Inspector General to look at Kenilworth Parkside, and while there are questions, they have documented that the local

D.C. Housing Authorities mismanagement of the overall CIAP program has been part, if not the major, reason.

In the future, evaluators such as GAO, the IG, all of us who look at this must take care to assign responsibilities properly and guard against any intentional misuse of data.

I pledge to you we will do it. I will tell you this, though, had we not entered into this type of a program, I think that that would have the same social and economic pathologies that have manifested themselves in problems in other public housing, and I only hope that we have learned from it and can move forward in a very positive way to make sure this is done as cost-effectively as possible.

HOUSING COST INCREASE

Mr. **Green**. Let me turn to the question of general housing costs, and let me pass over to you and your staff an interesting little study.

Every quarter, the value line investment survey does a study of how various components of the cost of living have changed over the years.

And what I think is notable about it is the fact that whatever time period you look at 20 years down to one month, the single family home has increased more than the Consumer Price Index and is generally one of the larger increases among these items.

I would like to ask you two questions. One, generally, what you are doing to address this, and specifically, I know you are looking at the question of building codes and the desirability of having some sort of standardization of building codes to try to reduce housing construction costs.

There is nothing really new under the sun, and this was a major effort within the Department in the late 1960s and early 1970s.

At that time, the Department used what was known as the statutory provision for a workable code for—workable program for community improvement, which was a requirement that communities had to come up with in order to get their urban renewal money as a lever to try to force communities to accept one of the standardized national building codes.

Secretary **Kemp**. Right.

Mr. **Green**. Do you—are you planning to move in that direction. Do you feel you need statutory authority again to do that, and what generally are you trying to do so that on a non-subsidized basis, Americans can once again have a greater opportunity to own their own homes.

Secretary **Kemp**. Right.

Bill, and to the Committee in general, we have looked at this from a standpoint not unlike what you are looking at it from in New York City, or Bob in his district, or Larry in Philadelphia, or Lou over in Cleveland.

What is both happening macro to national level, but also what is happening macro at the local level, to put up barriers and impediments and obstacles, to getting low- and moderate-income people housing that is decent, fit, and affordable.

And I have been struck, overwhelmingly, by the disparities in the housing market from market to market, A; B, by what happens in areas that engage in a cumbersome regulatory process, i.e. zoning, building costs, development fees.

In other words, we are—I want to make this in a non-ideological way, but it's going to be tough, given my experience with you all.

I was for total decontrol of oil and gas in the 1970s. So you can throw in B, well, Kemp, you were wrong. Maybe I was right, but I think we have done to housing what Nixon did to beef in 1972 when price controls on beef destroyed the supply.

I think we have done to housing what has happened in energy, i.e., oil and gas, at least in the 1970s, early 1980s.

I think any time you have a heavily regulated industry, you end up with a shortage of supply. Now, I am not arguing to go back to some 16th century model where we have no interest in building codes or environmental safety, or the needs of the poor.

But I think you are seeing today in housing an over-regulated, very seriously impeded ability to supply affordable housing.

Interest rates impact housing, and, of course, we know what has happened in so many local areas from several of the things that I alluded to earlier.

COMMISSION STUDY OF AFFORDABLE HOUSING

President Bush acknowledged this in his speech to the realtors in Dallas in November as well as to the home builders. He has asked me to head up, or at least form of a blue ribbon commission to study various affordable housing.

We have asked Tom Kean, the former Governor of New Jersey, Lud Ashley, a former Democratic Congressman from Ohio to head it up. It includes builders, developers, mayors, Democrats, Republicans people from foundations like Heritage and Brookings, to do a quick yet substantive study on what regulations, barriers, development fees, NIMBY (not in my back yard syndrome) type of problems have arisen and what we can do to get low- and moderate-income people into decent, affordable housing.

So whether we should tie our aid to coming up with a plan, I happen to think we should in some instances. I think our Hope grants ought to be tied to what steps cities/municipalities are taking to develop a comprehensive housing strategy to reduce barriers without affecting safety and the quality of the environment.

But at the same time, I know how often in the past we have been unable to come to an agreement with the Congress on how money could be withheld from cities that have special circumstances and for one reason or another that have not done what Administrations have thought they should do.

Mr. GREEN. What time limit have you put on that commission?

Secretary KEMP. One year study. In the meantime, we are trying to talk—I talk about it in every speech. People come up to me and give me their own examples, and I noticed the other day that a developer in Southern California showed me a chart that suggested that $30,000, $40,000, $50,000 of added costs have been added up front to the cost of a medium-priced house in Southern California.

Ten percent of the people in California can afford a medium-priced house. I am sure it's as bad or worse in New York City. There are different markets, of course. Denver is a lot different than New York. Houston is a lot different than Philadelphia.

So we are trying to look at all of these programs with an eye on not only the market but the barriers.

Mr. **Green**. Thank you, Mr. Chairman.

Mr. **Traxler**. Mr. Stokes?

DRUG ELIMINATION GRANT PROGRAM

Mr. **Stokes**. Thank you, Mr. Chairman.

Mr. Secretary, I want to go back to the drug situation that was raised by the gentleman from New York.

In your formal statement, you tell us that your budget request for public housing drug elimination grants is being increased to $150 million compared with $88 million available to us this year.

Then you are asking for a separate appropriation in 1991. Where did the funding come from for 1990, the $88 million?

What accounts did you take that from?

Secretary **Kemp**. Okay.

Nineteen eight-nine, Lou, and 1990 funding was in two accounts; $8.2 million in Operating Subsidies for this Drug Elimination Grants, in fiscal year 1989 and $48 million out of Annual Contributions, and there was $50 million in the transportation bill, I am told by Mr. Kliman, for a total of $98.4 million in 1990.

Mr. **Stokes**. So that was the source of the 1989 and 1990 funding?

Secretary **Kemp**. Yes. We are asking for $150 million separate in the 1991 appropriation; yes sir.

Mr. **Stokes**. Okay.

CITIES RECEIVING DRUG ELIMINATION GRANTS

I would like for you to also provide for the record, if you will, the cities that did get the grants.

Secretary **Kemp**. Be happy to. And I will also supply for the record what we are doing to make sure that we have a better NOFA so that the $98 million and the $150 million will be better spent and targeted to large city PHAs and make sure they are competitive.

But we want to make sure that our NOFA takes into account the needs of the cities alluded to by the gentleman from New York, Mr. Green.

[The information follows:]

Public Housing Drug Elimination Grant Program

HUD awarded $8.2 million in fiscal year 1989 grant funding to 36 Public Housing Agencies (PHAs) and 1 Indian Housing Authority (IHA) for use in eliminating drug-related crime under the Public Housing Drug Elimination Program (PHDEP). The awardees scored the most points through a competitive and nationwide selections process. Almost 500 applications were received and evaluated by HUD staff at the Field, Regional, and Headquarters levels.

There were 26 Headquarters readers, divided into 13 teams of two. Each application that supplied the application requirements and met the threshold criteria was scored by at least two Headquarters readers who reviewed and scored the applications independently. If a point variance of 30 points or more occurred a third reader was requested.

The rankings were achieved by following the scoring criteria mandated by Congressional statute and defined by HUD in the Federal Register on September 18, 1989. These selective rating criteria included: (1) The extent of the problem of drug-related crime in the applicant's project (25 points); (2) The quality of the plan and the extent to which it is attainable (25 points); (3) The applicant's administrative capability to carry out the plan (25 points, strongly influenced by Field comments); and (4) The extent of local and community support for the plan (25 points). In addition, HUD added an additional 15 points that could be earned for resident involvement and participation in executing the anti-drug plan.

Out of these possible 115 points, the lowest scoring application that was funded was ranked at 108 points.

The PHDEP enables PHAs and IHAs to engage in a number of activities designed to eliminate drug-related crime on or about the grounds of public housing. Eligible activities include:

1) Employing security personnel.
2) Reimbursing local law enforcement agencies for additional security and protective services.
3) Physical improvements designed to enhance security.
4) Employing investigators to investigate drug-related crime or to provide evidence.
5) Supporting voluntary tenant patrols.
6) Innovative programs to reduce the use of drugs.
7) Security and prevention programs administered by Resident Management Corporations and Resident Councils.

Almost all of the awardees submitted proposals that reflected a comprehensive plan that addressing many of the above eligible activities.

Of those applications that were funded, six have a Resident Management Corporation involved in the anti-drug strategy; 14 have a Resident Council involved; 10 have a Resident Association or similar organization; and seven have various organized and other types of resident groups involved in the strategy.

An analysis of the results shows that nearly three-quarters of all applications HUD received were from housing agencies with 1250 units or below. However, over half of all the applications funded came from housing agencies with over 1,250 units. In fact, 6 percent of all applications came from housing agencies with over 5,000 units, and 8 percent of those funded came the same sized agencies.

As an example of the stiff competition, 131 housing agencies scored 95 points or better. If HUD had enough money to fund these superior applications, Miami, Philadelphia, Chicago, and New York City would all have been awarded. A deeper analysis of these high-scoring applications shows that, if money were available to fund those scoring over 95 points: six major cities with over 10,000 units of public housing would have been funded; 25 additional cities with over 5,000 units would have been funded; and an additional 113 with up to 5,000 units of public housing would have been funded. These data indicate that additional funding of public housing agencies is needed to fund superior applications.

Because this is a demonstration program, information was gathered from PHAs, the Field, and readers. As a result we immediately took the following actions:

(1) Provided a toll-free 800 telephone service to review comments and debrief the applicants through the Drug Information and Strategy Clearinghouse.

(2) Produced packets for PHAs on grantsmanship skills.

(3) Produced packets for PHAs on conducting assessments of drug-related crime.

(4) Will produce an application package to streamline the application process. This package will simplify the application requirements, and will provide forms for certifications.

As a result of our analysis we are making the following changes in the Final Rule/Notice of Funding Availability:

(1) A Regional allocation formula based on drug-related crime;

(2) Selection criteria within statutory definition will be clarified to improve objectivity;

(3) Increase weighting of crime/assessment data;

(4) Weight amount available according to PHA size.

The PHDEP was authorized in the Anti-Drug Abuse Act of 1988. The Department will shortly publish a Final Rule on the Program and a new Notice of Fund Availability for an additional $97.4 million for fiscal year 1990.

PUBLIC HOUSING DRUG ELIMINATION PROGRAM FISCAL YEAR 1989 GRANTEES

ITEM	REGION	NAME of PHA/IHA	STATE	AMOUNT AWARDED	SCORE
1	1	Greenwich	CT	$83,650	115
2	1	Norwalk	CT	$250,000	110
3	1	Manchester	NH	$237,540	112.5
4	2	Jersey City	NJ	$250,000	113.5
5	2	Hoboken	NJ	$196,395	112
6	2	Paterson	NJ	$239,775	108
7	2	Newark	NJ	$250,000	115
8	2	New Brunswick	NJ	$250,000	110
9	2	Peekskill	NY	$100,000	115
10	2	Rochester	NY	$244,575	112.5
11	2	Glencove	NY	$100,000	115
12	2	Schenectady	NY	$250,000	115
13	2	Yonkers	NY	$250,000	110
14	2	Syracuse	NY	$249,928	109.5
15	3	Erie	PA	$250,000	112.5
16	3	Alexandria	VA	$250,000	114
17	3	Petersburg	VA	$100,000	112.5
18	3	Charleston	WV	$250,000	109.5
19	4	Huntsville	AL	$185,515	115
20	4	Montgomery	AL	$250,000	115
21	4	Mobile	AL	$250,000	110
22	4	Gainesville	FL	$250,000	111
23	4	Tallahassee	FL	$250,000	113.5
24	4	Fort Myers	FL	$250,000	115
25	4	Savannah	GA	$224,868	109.5
26	4	Athens	GA	$163,225	111.5
27	4	Macon	GA	$250,000	112.5
28	4	Greensboro	NC	$250,000	115
29	4	Charlotte	NC	$250,000	111
30	4	Knoxville	TN	$250,000	112
31	4	Memphis	TN	$225,000	113.5
32	5	Columbus	OH	$250,000	111.5
33	5	Lucas	OH	$249,529	109
34	5	Portsmouth	OH	$250,000	109.5
35	6	Sac & Fox	OK	$100,000	108.5
36	7	Kansas City	MO	$250,000	112.5
37	9	Richmond	CA	$250,000	110
				$8,200,000	112.08
					(AVERAGE SCORE)

Stokes. Okay.

nk you.

MODERNIZATION OF PUBLIC HOUSING

Stokes. Now, on Page 10 of your statement, you indicate hile HUD is committed to continue funding modernization, st improve the program, eliminate the $3.4 billion backlog of nization funds previously appropriated but not yet spent.

you saying that an increase in funding should not be re- d until the backlog has been eliminated?

etary Kemp. No. We think that the request that we have Lou, is a prudent response at this point to the modernization which I acknowledge are significant, but that getting the $3.4 that has been appropriated and not yet spent into the e, getting that pipeline unjammed, would help us get through fferent funding and budget problem of 1990, 1991.

I would be happy to, once those monies are appropriated or d say obligated and spent, so we could get a better handle on ur needs are for the future. But that would be a significant just to get that $3.4 million out into the—into meeting this

Stokes. I guess I would like to have some understanding as these monies have not yet been spent.

etary Kemp. Al, do you want to take a shot at answering that?

DelliBovi. Mr. Stokes, these are heavy construction projects. often the contracts, the request for proposals, the procure- just are simply not read when the money becomes available. Public Housing Authorities are not prepared, or they haven't he planning necessary to go out to bid for contracts, they put the funds to use.

Stokes. All right.

uld appreciate it if for the record you would tell us how housing authorities are affected by the backlog, how many where they are located and so forth, will you?

DelliBovi. We will provide a chart for the record with the gated balance.

UNOBLIGATED MODERNIZATION FUNDS

Stokes. All right.

information follows:]

Backlog of Unobligated Modernization Funding

cumulative total of $14 billion of budget authority made available for mod- on activities, $3.6 billion remained unobligated at the end of fiscal year 1989. y all of the unobligated balances represented funds provided during the 985 to 1989. The table below presents the number of Public Housing Agen- IAs) and Indian Housing Authorities (IHAs) with unobligated "backlogs" by ear of funding.

[Dollars in millions]

Year of funding	Total provided	Amount unobligated	Percent of total	Number of PHA's and IHA's
1985	$821.9	$31.9	3.9	55
1986	756.5	100.6	13.3	178
1987	1,562.7	602.4	38.5	598
1988	1,779.6	1,216.4	68.3	895
1989	1,648.9	1,648.7	100.0	1,211
	6,569.4	3,600.0	54.8	

A table presenting a detailed project-by-project analysis of the status of outstanding Modernization funding has been provided to the Committee

LEAD-BASED PAINT ABATEMENT

Mr. Stokes. Mr. Secretary, lead paint in public housing is one of the very real problems confronting this country. Now, the Housing Community Development Act of 1987, as amended, broadened the scope of lead-based paint abatement in public housing, and the PHAs are about to come under HUD guidelines in carrying out this very costly work.

Despite an existing directive from Congress, HUD has failed to even mention lead-based paint abatement in its fiscal year 1991 budget. Can you tell us why you have not requested any funding for this program in 1991?

Secretary Kemp. Lou, the 1990 Appropriation Act called for an indemnification fund of $971,000 to be set aside from CIAP money. The fund had been utilized to reimburse anyone hurt during the abatement program.

We are conducting a comprehensive study of the lead-based paint problem in housing. We have asked for $10 million plus in a public housing demonstration project for lead-based paint abatement.

So it's a research and demonstration program that in—no, it's not $10 million; is it?

It's $10 million over the last three years. And it includes FHA demonstration, as well.

Mr. Stokes. And you do have some demonstration projects underway at this time; is that it?

Secretary Kemp. Yes, yes. We do, yes, both in FHA as well as in CIAP.

SHELTER PLUS CARE HOMELESS PROGRAM

Mr. Stokes. That is what I was trying to get at.

Please tell us about a new Shelter Plus Care program, Mr. Secretary.

Secretary Kemp. Right.

Mr. Stokes. Tell us a little bit about that program, how you expect it to work in terms of a local match and so forth.

Secretary Kemp. Well, I talked earlier in my testimony, Lou, about the very serious problems that are reflected in the lives of some homeless people. Not all homeless people are victims of mental illness or of alcohol and drug abuse, but that is a problem with a significant number.

And we have come to the conclusion, as I think the Congress has, and that many activists with whom I have talked, as well as providers all over the country, I have been overwhelmed by the necessity of tying our shelter to the treatment of these chronic problems of substance abuse, or mental illness.

And we are asking for $247 million, out of a billion dollars of homeless programs in all of the various Federal commitments to homeless, to provide rental assistance to the homeless men or women who have a problem that could be described as either mental or a chronic alcohol or drug dependency.

It would coordinate Federal housing assistance with supportive services that would obviously be provided by States and localities and nonprofits. I alluded in my testimony to an incredibly important program going on in many of our cities, including San Diego, with a homeless provider, St. Vincent DePaul in coordination with the other churches and the City of San Diego tying supportive services to the shelter.

I just—I don't think that we are going to make a dent in homelessness until we acknowledge that there has to be care and treatment and day care and job training and rehabilitation efforts tied to either shelter or transitional housing. And that is what we are trying to encourage.

Mr. **Stokes**. Well, I notice in your justifications that the funds for this program will be taken from the single room occupancy and the Section 220 program for the handicapped.

And I am concerned to what extent the utilization of these funds from these two programs for the Shelter Plus Care program would bring funding for these two programs, the SRO and Section 202 below the level provided in 1990.

Secretary **Kemp**. I think that is just maybe a misunderstanding that developed by the way the testimony reads. Actually, it doesn't deny the efficacy of SRO efforts or senior citizen congregrative care or supportive services.

It just ties them all under one—we are still going to continue those efforts, but it's—it comes under the umbrella of Shelter Plus Care, and you have a Secretary who is absolutely convinced that SRO capacity, both construction and rehabing, is a component of any answer to homelessness in America.

We are not ending that. We are actually trying to tie it to the type of care that has been very much on the minds of the Congress.

I first read about it in the New York Times, in an editorial, and I have experienced it by visiting many of these places.

So we are just putting it under an umbrella calling it Shelter Plus Care. We're not denying the efficacy of SRO or senior citizen housing.

Mr. **Stokes**. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. **Traxler**. Mrs. Boggs.

Mrs. **Boggs**. Thank you, Mr. Chairman.

Mr. Secretary, I applaud all of your efforts and I thank you especially for your understanding of the mix of private and public enterprise to meet the housing needs and the other needs of the people of this country.

I am very, very supportive of so many of the things that you are proposing, but I am puzzled about the whereabouts of some of the old programs that could be folded in very effectively are standing in the budget.

CONGREGATE SERVICES

I see you are not requesting, for instance, a fiscal year 1991 appropriation for the Congregate Housing Services program. According to the report that you sent us in October of 1989, a report written by the Urban Institute for HUD, there are an estimated 105,000 elderly in assisted housing who need supportive services to help them continue living independent, full lives.

In light of the fact that the number of elderly will only grow larger in the future, it would seem more appropriate to continue the Congregate Services program and to supplement it with additional funding or programs than to terminate it.

The Urban Institute's study seems to suggest that the Congregate Services program could be used as a laboratory to fine tune the provision of services to the elderly.

It further states that HUD should work with the Health Care Finance Administration (HCFA), to find the best means of providing services in the future.

Can you tell me what efforts, if any, have been made to coordinate with HCFA when implementing the Congregate Services program, and what you intend to do about it?

Secretary **Kemp**. Well, thank you for your comments, and let me assure you that the answer to this question is similar to the answer to Mr. Stokes' questions, that we have wrapped Congregate Services for elderly people to help them avoid premature institutionalization, into the proposal for what we have called elderly independence.

I must admit, I didn't like the idea of frail elderly. To me, that was a little bit pejorative. We have looked for a way to work with the Congress, including Members of the Senate and yourself, Mrs. Boggs, to not only take Congregate Services, but broaden it, expand it, deepen it, and fund it at higher levels than it has ever been previously by putting it into the Hope package and calling it Hope for elderly independence.

We thought that that was a little dignity to it, and we share your enthusiasm, I do, having seen it working in some areas, including Philadelphia, where I visited Dr. Leon Sullivan's senior 202 housing called Opportunities Tower, which includes Congregate Services.

So what we have done is try to expand it and put more money into it and take the whole concept of congregate senior housing and tie it to the frail elderly concept in the Senate and bring it back as Operation Independence.

I think we have tripled the amount of money for the type of things you are talking about.

Mrs. **Boggs**. Mr. Secretary, you will be happy to know that on Saturday I went to welcome the first tenants into the Flint Goodridge project that you so kindly came to cut the ribbon for a few months ago, and it's just a really remarkable success story.

Secretary **Kemp**. I was really impressed. It was so nice of the NFL to put the Super Bowl on the same weekend.

Mrs. **Boggs**. Good quarterbacking, Mr. Secretary.

Secretary **Kemp**. That was a real pleasure, Mrs. Boggs, to be with you; and I want to congratulate you for the long effort you put into that.

PUBLIC HOUSING RESIDENT MANAGEMENT AND HOMEOWNERSHIP PROGRAMS

Mrs. **Boggs**. Thank you.

Of course, I am supportive of the Tenant Management of Home Ownerships programs that you are suggesting, Mr. Secretary, and certainly, I want to see them work as efficiently and effectively as possible.

In the latest report from HUD's Office of the Inspector General, Mr. Adams, he reports that HUD needs to implement an ongoing evaluation of the public housing Resident Management and Home Ownership programs. I know that you are most anxious to prove the success of these programs.

Would you explain the mechanisms you have in place to ensure careful evaluation?

Secretary **Kemp**. We have set up, under—is it public housing, Public and Indian housing, an Office of Resident Management, and have appointed a specific office in HUD to not only encourage but also to monitor, evaluate.

We have been very pleased to have worked with Mr. Adams. We have asked for his ongoing interest.

The I.G. has examined not only Kenilworth Parkside but also Carr Square in St. Louis. My hope is sincerely that we can move substantially forward. I know we are not going to be able to do it in this very important area without very carefully monitoring and auditing, as you put it, in the Field, the progress in resident management and the development of this paradigm of moving homeownership into public housing.

Notwithstanding the fact that not everybody may want to or need to, we think the dream should be as alive for them as it is for any other family anywhere in the country. So we have asked for $25 million in our budget for an ongoing evaluation of our programs.

Some of these monies will be used. I can assure you, the interest of our I.G. is ongoing, and I am sure GAO would—and under Hope, I pledge to you, not only my pursuit or advancement of the idea, but my willingness to work with this Committee to make sure that it moves forward in a prudent, businesslike, responsible, cost-effective, carefully monitored, closely examined way.

COMMUNITY DEVELOPMENT BLOCK GRANTS

Mrs. **Boggs**. Thank you, Mr. Secretary.

In the Community Development Block Grant Program, it's been estimated that the number of entitlement communities will be 961 for fiscal year 1991. That is an increase of almost a hundred communities over fiscal year 1990.

With that situation in place, why are you proposing a decrease in this program?

Secretary **Kemp**. More communities are eligible, as you acknowledge. I don't have any—I am not in concrete, as I said, in response to my earlier comment about the budget. We think we have targeted CDBG somewhat better.

I know it has been—you know, we have been criticized by some. Whenever I have had a chance to express this to the mayors or to the League of Cities, I think they basically understand that we are trying to more effectively target, without micromanaging CDBG, the decrease offsets the elimination of my Discretionary Fund.

And I have made no secret that I thought that was a very important thing for me to do in order to give you assurances and give the public and the Bush Administration assurances that HUD would not abuse politically or for profit any of those important programs.

So we just totally eliminated the discretionary account.

Mr. Kliman would like to explain the intricacies of the budget to give a perspective on this that I am not as familiar with.

Mr. **Kliman**. There is a technical factor involved here, Mrs. Boggs. While the overall number of entitlements goes up from 866 to 961, entitlements for metropolitan cities and urban counties stay exactly the same.

The difference is because of the Reform Act, the Indian tribes are moving out of the Secretary's Discretionary Fund into entitlement status, and it's really the same numbers. It's simply funding of Indian tribes in a different part of the budget.

It shows up as if there were an increase in entitlements, but there really isn't.

CHILD CARE DEMONSTRATION

Mrs. **Boggs**. Thank you very much.

You know it's an ongoing difficulty with all the mayors in the country, of course, including the mayor of my city.

Mr. Secretary, I was really pleased to see that your 1991 request includes funding for the Child Care Demonstration program for the first time since its inception in 1988.

You know I have a keen interest in this project, and I think it's very valuable to help parents in public housing to obtain self-sufficiency.

I see from your justification on Page I-4 that you are planning a review of the program. When can we expect to see the results of the review?

Secretary **Kemp**. Early 1991, Mrs. Boggs. I really owe you and Barbara Mikulski and Mary Rose Oakar——

Mrs. **Boggs**. And Marcy Kaptur.

Secretary **Kemp** [continuing]. And Marcy, a vote of thanks for helping advance this.

I have supported it, and we think the demonstration project will give us a chance, Mrs. Boggs, to have more empirical evidence of which to broaden the scope of it, as the results come in.

So I appreciate your bringing it up, and I just want to tell you that we will get it as quickly as possible, but it would be early 1991 on the outside of the timeframe.

NEIGHBORHOOD DEVELOPMENT DEMONSTRATION

Mrs. **Boggs**. Another program I have been interested in is the Neighborhood Development Demonstration Program. It seems to me it provides a kind of incentive for public and private sectors to get together to encourage neighborhood organizations to become more self sufficient in areas which benefit low and moderate income.

It would appear to embody the spirit of public pride you hope neighborhood initiative supports.

Secretary **Kemp**. The recognition of the neighborhood development demonstration, as you say, was successful. We think it can be expanded, incentivized, subsidized, and encouraged and indeed made part of the framework of rebuilding neighborhoods. I have said many times that I believe it is impossible for us to talk about less developed countries in the world that need development and not talk about those less developed communities or almost Third World economies in our own backyard in this country that need help. We plan to expand and incentivize the neighborhood development thing.

This is very much a part of it. We think it is an essential element in all the strategies we are pursuing at HUD. I have seen that work and I share your enthusiasm.

Let me add one thing: I have made very clear every time I have appeared before this Committee or before any of my friends in Congress that I am not trying to take credit for designing new wheels. All I am trying to do is find ways of accentuating what we know a priori about people. When they get a chance to be productive human beings and the rewards are there, they will respond.

We are taking ideas from Democrats, Republicans, liberals, conservatives, and trying to focus it as a strategy to combat the problems of homelessness, helplessness, hopelessness and indeed underdevelopment.

HOMELESS WOMEN AND CHILDREN

Mrs. **Boggs**. Mr. Secretary, I compliment you on your efforts to take care of the homeless by fully funding the McKinney Act. I am especially concerned about the number one growing homeless population, women and children. Have you done anything about evaluating the progress of homeless programs administered by HUD for women and children?

Secretary **Kemp**. Pat Carlile came in after my original introduction of my A-Team so to speak. She is the Executive Director of the Council I chair along with Lou Sullivan. We are spending a dramatic amount of time on the problems of homelessness generically, and particularly families at risk as well as children at risk.

I have seen some incredible progress and some incredible demonstrations. I know as you do the incredible challenge for these women with children. One of the most valuable trips I ever took was just across this city to the New Endeavors for Women in which women with children and in some cases single women were getting their lives put back together by a combination of housing and shelter, coupled with the type of treatment and care we alluded to earlier and also day care and job training.

I think we asked for a total $50 million demonstration for that for women with families. Didn't we have a specific line item for families? We have the McKinney Act evaluation as well as the type of coordination I have alluded to. While the specific $50 million grant we asked for I guess last year did not get funded. One thing I have learned and I have expressed many times, and it is becoming increasingly apparent to activists as well as to the providers, is that we must address the problems of the family and those precious resources, i.e., children, for the future.

I got personally beyond what I said. I got involved in the Capital Inn Shelter, the motel that had been so infamous in this city where there were families. I was told it took an average of four days for the children to get involved in drugs once they moved into that motel which is a welfare motel. I called the mayor and said I will give a voucher to get every single family out of that motel, close it down, and get them into housing of a more permanent nature. That thing has finally been shut down. We have provided 200 vouchers for the city.

I would like to think that we at HUD had a small role to play in shutting down that ugly welfare motel. You have my pledge to do anything I can to assure that we treat this problem with a sense of emergency. Because those children are absolutely precious to the future of our country.

Mrs. BOGGS. Thank you, Mr. Secretary.

Always in fair housing and equal opportunity we should think about discrimination against families with children.

Secretary KEMP. That is against the law, by the way.

HIRING OF WOMEN AND MINORITIES

Mrs. BOGGS. Another problem, of course, is patients with AIDS who really need some housing opportunities. I know that you are devoted to that, too.

It was a joy to see your A-Team introduced because as you know I have always been a supporter of increasing the number of women and minorities in the upper grade positions in the Federal Government.

I know that you have had wonderful success obviously in the highest levels. Could you please tell me what the record numbers of hires for positions in middle and upper grade positions in HUD have been under your stewardship?

Secretary KEMP. Let me tell you before I answer the question as specifically as you would like me to, Mrs. Boggs, that I appreciate your comment. I want you to know the people behind me are here because of the quality of their work not any other consideration. I am proud that they have joined me. It is important for them to know how vital they are to the success of HUD. We have not done as well as I would like, I will be frank, but over the past 10 years I am told from the end of calendar year 1979 to 1989 the percentage of minorities in GS-12 and above has increased from 5 to more than 13 percent. The percentage of women has increased from 7 to over 14 percent. As of February 1990, of the 103 SES employees on HUD payroll, 16 are minorities, 17 are women. The total is 30.

Now I am reading statistics and I don't want to give the impression that I think either the statistic is good enough or that it says all about what I would like to see at HUD but nonetheless I am using the statistic and I know it doesn't offend anybody but it needs to be said that a statistic does not adequately tell the whole story. The 12 executive level positions, 4 women, 2 minorities, it says here one employee in both categories. That is statistical abstract up with which I refuse to put as Winston Churchill once said. My direction is toward the affirmative, small a, advancement, small a, of women to find complete potential in all grade levels, openness.

We are working on it. We are trying to work on the type of upward mobility for women and minorities. I admit we still have a way to go. I think everybody can say they fall short of making America a society in which we are based or judged as Dr. King said on the quality of our character, not the color of our skin.

Mrs. BOGGS. Thank you so much, Mr. Secretary.

Secretary KEMP. Thank you.

Mr. TRAXLER. Mr. Coughlin.

Mr. COUGHLIN. Thank you.

We are glad to have our former colleague here. We are even gladder to have him where he is.

Secretary KEMP. I was born for this job.

NARCOTICS ABUSE AND CONTROL

Mr. COUGHLIN. We appreciate your service to the nation as secretary. As vice chairman of the Subcommittee on Narcotics Abuse and Control I want to follow up on questions in the drug area.

You have received very high marks for your activity on the drug issue and public housing in particular. My question does not go toward public housing as much as it does to community development.

On a number of occasions I have visited one of the most rugged areas in Philadelphia. I did so a couple of weeks ago and it is not getting any better. The area looks like a war zone. Originally the police boarded up the crack houses. They concrete blocked them, and turned them into bunkers. Now they are tearing them down. So you have an area that looks like it was bombed, debris all over and, litter. Kids are walking to school in the middle of the site. There's a little elementary school with graffiti all over it. But people are trying to live in this area.

The police can identify the drug dealers by name on the various street corners. They don't arrest them because there is no place to put them, and I realize that is not your bailiwick in particular.

It is awful. Yet the good news, if there is any good news, is that it is a fairly limited problem; a 20 by 20 block area. It seems to me it must be possible to go in there under the leadership of perhaps HUD, and do something about cleaning up the area, do something about establishing a community treatment facility in there, working with labor, putting a job training facility there, getting the graffiti off the schools so the kids can at least go to school in a decent looking place, eliminating the rubble and trash and maybe trying to get some housing assistance.

This would take a government task force and that kind of leadership. I guess I would like your suggestions on how we can put together that kind of task force and provide that kind of leadership.

Secretary **Kemp**. Off the top of my head, Larry, I could not agree more with what you have said. Just as apparent, as a member of the Bush cabinet, as a former Member of Congress, there is no Democrat/Republican solution. Rangel and Gilman have done a good job. I think Bill Bennett is doing a great job. I think we have to do more. Should the task force be designed to attack a particular neighborhood? I think if that were to come it would have to be at the request of mayors and public housing authorities.

It would have to be coordinated. I don't disagree with the concept of—it is a shame that we have all these competing elements, sometimes the type of coordination you have alluded to is absolutely essential and off the top of my head I agree with you. I don't think we are doing enough to prevent—you talked about getting graffiti removed, getting schools and neighborhoods upgraded, getting boards and concrete blocks off vacant buildings, money, it is all important.

Think about CDBG monies. Our efforts would be improved if we could think about the rehabilitation of public housing as a drug effort rather than letting them be used for illicit and nefarious purposes. I want to use every available tool at our disposal to have an all-out effort not only on just the illegal aspects of drugs but also on some of the existential neighborhood type or environmental type or economic or social type of conditions that lead people to want to even use it in the first place.

Jobs, education, the family, sense of hopelessness about one's future, all these add up to making a decision as a youngster about drugs.

Mr. **Coughlin**. How do we put the task force together? The cities have the problem that if they have any money, it has to be spread around every place.

Here is a whole area. It would not take a big amount of money. and at the Federal we might be able to do something.

Secretary **Kemp**. Look at the trouble I have had, just humanly speaking now as your former colleague, look at the trouble I have had trying to get the 3,300 PHAs to use a sense of emergency to evict residents who are in the trafficking and using of drug business nevertheless.

Notwithstanding, the vast majority of PHA residents are decent, honorable people who want to raise their children in a drug free environment. In the case where drugs are being trafficked in by a criminal element, I have run into the Paperwork Reduction Act. I was told I was violating that. I was told the PHA would not even go in to one public housing area in Fort Philadelphia.

I think that is a crime. I am not trying to put all the blame on the PHA. You have pointed up a need. I would be happy to work with you and the Administration to try to take this to the next step. I would like to let retired police live rent free in public housing or maybe retired firemen and women live rent free in public housing. I think you need a greater symbol of authority.

I was with Don Riegle in Flint, Michigan. Chairman Riegle and I made the statement we thought retired police should be able to live in drug infested housing developments. The residents stood up and applauded that idea. There are a number of ideas well worth thinking about.

TYPES OF DRUG ELIMINATION GRANT PROPOSALS

Mr. COUGHLIN. With your drug elimination grants, what sort of proposals do you fund? Can you give us examples?

Secretary KEMP. Yes. We have outlined 10 goals for drug free public housing, everything from security and lights to bringing a better approach to identifying people who live in public housing.

Sports—I have asked Boy's Clubs of America to join me. We put out an offer asking all boys' and girls' clubs and sports oriented clubs to get involved in public housing. The best communities of public housing in America are the ones that have, as Mrs. Boggs pointed out, day care facilities, health care delivery systems, sports.

In Chicago, Vince Lane, the Public Housing Authority Director, and Bob Armstrong in Omaha, Nebraska, started sports leagues.

Mr. COUGHLIN. Do you have drug elimination grants to provide those?

[The information follows:]

10-POINT PLAN TO FIGHT DRUGS IN PUBLIC HOUSING

The following is a listing of HUD's 10-Point Plan to Fight Drugs in Public Housing:

1. Tighten Security;
2. Streamline Evictions.
3. Seize Units Used for Drug Trafficking;
4. Reclaim Vacant Units;
5. Improve Housing Quality and Quality of Life;
6. Utilize Hotlines/Central Information Sources;
7. Encourage Resident Management and Other Empowerment/Prevention Program;
8. Terminate Section 8 Benefits of Drug Traffickers;
9. Utilize Compenhensive Improvement Assistance Program (CIAP) and Other Grant Sources; and
10. Establish Youth Programs.

Mr. COUGHLIN. Do you have drug elimination grants to assist these activities?

Secretary KEMP. Absolutely. We did not give one to Chicago. Unfortunately, it did not qualify. That problem was alluded to earlier by the Chairman.

We have asked to come up with proposals that would take care of the children, CDBG, the drug elimination grant. All of these and others can be utilized to get drugs out of public housing.

[The information follows:]

Funded Proposals for Public Housing Drug Elimination Grants

The following are examples of some of the anti-drug programs funded in the fiscal year 1989 funding round:

PHA: Montgomery, AL

EXECUTIVE DIRECTOR: J. C. Miller

AMOUNT FUNDED: $250,000

PLAN:

MHA will use HUD funds to: reimburse the Montgomery Police Department for additional police patrols; establish a neighborhood watch program; fund the Resident Council's Parents Against Drugs and other educational and prevention programs; fund additional community services staff; and, employ a security officer to patrol the developments.

PHA: Alexandria, VA

EXECUTIVE DIRECTOR: Angus Olson

AMOUNT FUNDED: $250,000

PLAN:

AHA's plan will supplement their current enforcement efforts through a combination of security improvements, improving screening and eviction procedures. Additionally, they have developed partnerships with the City of Alexandria, public agencies, the private sector, and the Alexandria Resident Council to implement resident and community empowerment programs.

PHA: Kansas City, MO

EXECUTIVE DIRECTOR: Michael Fisher

AMOUNT FUNDED: $250,000

PLAN:

The plan has three major components to comprehensively address the drug problem. First, KHA will enhance their "Prevention, Intervention, Education, and Recreation" (PIER) program. Second, they will establish a Family Advocate Program to provide employment and drug education counseling and provide a 2-year junior college course in Drug and Alcohol Treatment Technology to selected residents who will then work for KHA. Lastly, KHA will sub-grant to a resident management corporation funds for program operation security services through the establishment of a tenant patrol, tenant patrol training, and equipment.

PHA: Columbus, OH

EXECUTIVE DIRECTOR: Dennis Guest

AMOUNT FUNDED: $250,000

PLAN:

CHA's plan for the Poindexter Village development was initiated by the residents of that community and includes: increased undercover and uniformed police participation; establishment of a community organization under the Resident Management Corporation; drug treatment, education, prevention and intervention activities; and establishment of an on-site community house to serve as the RMC headquarters and will house anti-drug activities.

PHA: Jersey City, NJ

EXECUTIVE DIRECTOR: Robert Rigby

AMOUNT FUNDED: $250,000

PLAN:

The plan focuses on two main areas of need, in addition to JCHA's current anti-drug programs (e.g. prevention, education and empowerment programs, and economic development). In the area of enforcement, a detail made up of off-duty narcotics investigators will target major drug suppliers in public housing areas. The JCHA will also hire a drug counselor to work with young residents through the Juvenile Intervention Program.

PHA: Charlotte, NC

EXECUTIVE DIRECTOR: Larry Lloyd

AMOUNT FUNDED: $250,000

PLAN:

The plan takes a three-pronged approach (interdiction, prevention and treatment) to fighting the drug problem in Charlotte public housing. In the area of interdiction, CHA will work with the local police to intensify their drug enforcement strategy, conduct evictions of CHA drug policy violators, install fencing, implement vehicle registration, and equip CHA vehicles with mobile telephones. CHA will use the community resistance and prevention approach for the development of a Community Assistance Program, training for staff and residents (resistance, parenting and other skills training) and resident empowerment activities. Finally, a treatment program will be set up in order to direct drug treatment to approximately 50 to 60 residents in the first year and 100 to 150 in the second year.

Mr. COUGHLIN. Mr. Chairman, I have further questions I will submit for the record.

Mr. TRAXLER. Surely.

[The information follows:]

; for the Record Provided by Congressman Coughlin

Questi

Mr. Coughlin #1

HOPE--Comments on Hearings and Budget Options

: Mr. Secretary, you have lauded the Administration's primary
in the HUD budget--the HOPE initiative--Homeownership and
Quest r People Everywhere. And your statement today calls the HOPE
new initia e cornerstone of a new effort to empower the poor and replace
Opportunity overty and dependency with the ladder of opportunity." In the
initiative arings several weeks ago, the HOPE initiative--according to some
the cycle ved mixed reviews. Would you care to take this opportunity to
authorizing eaction to those hearings?
reports--re
discuss you The hearings were useful and productive, but there was some
ng about our HOPE initiative. HOPE is a comprehensive program
Answe tack poverty and help enable individuals to climb the economic
misunderst cludes homeownership initiatives, homeless assistance,
designed t f existing housing, tax incentives, incentives to remove
ladder. I dens to housing, and supportive services to help low-income
preservati omeless and elderly individuals achieve self-sufficiency.
regulatory istance in these and other areas are also represented in the
families a t through programs separate from HOPE.
Additional
1991 HUD B ern raised in the hearings was that homeownership is not for
fully agree and that is why it was included as only one
One OPE.
everybody.
component criticism was that HOPE does not expand the stock of affordable
isagree. HOPE includes several initiatives that together will
Anot upply of housing. HOPE Grants will provide homeownership
housing. in public housing, and HUD-owned and other Government-held
increase t ublic Housing Homeownership Support component will fund Section
opportunit or replacement units. The extension of the Low-Income Housing
property. HTC) will add another 100,000 units per year. By providing
8 assistan es such as job training to Section 8 recipients through
Tax Credit strap, we will foster self-sufficiency and free-up units for new
support se We are also taking steps to preserve what we have. HOPE
Operation ponent to help preserve the supply of assisted housing that is
individual epay and the regular HUD Budget includes the renewal of expiring
includes a ontracts.
eligible t
of Section ple criticize HOPE for not offering enough new construction.
w construction programs of the past have been plagued with
Some ave required repeated bailouts. The 1991 Budget includes
Many of th oven construction programs such as the LIHTC which leverage
scandals a s and Section 202 and Single Room Occupancy housing which meet
funding fo eds of the elderly, handicapped and homeless which cannot always
private do existing housing. Programs subject to scandals or low-economic
the specia s the regular Mod Rehab program are not recommended for funding.
be met thr
returns su orward to working with the committee to raise the visibility of
ban development and devote resources and funds to effective
I lo as HOPE, while meeting necessary budget restraints.
housing an
programs s

Question: Your request includes a proposed allotment for HOPE of $1.2 billion in fiscal year 1991. In the event an authorization supported by the President is not signed into law, what happens to the budget request you have made?

Answer: We believe that an authorization bill can be signed by the President before the Appropriations Committee reports a bill. If that occurs, we also believe that HUD will be fully able to write program regulations and accomplish other actions which are necessary to implement our initiative in fiscal year 1991. If an authorization bill is not passed in time, we will consider what HOPE proposals and goals, can be implemented and funded through existing authorizations. We will advise the Committee at that time as to our recommended course of action.

Question: Would the money be allocated to other programs within HUD?

Answer: We strongly support allocating the $1.2 billion to the HOPE initiative. If authorizing language were not passed in time for Appropriations Committee action, we would request the Committee to appropriate funds under existing authorizations to best meet the Administration's HOPE program goals.

Mr. Coughlin #2

FHA Mortgage Limits

Last year, FHA loan limits were raised to $124,875 in high cost areas. I understand the GAO is looking into the effects of raising FHA's loan limits.

Question: Has the study been completed yet? When is the final study anticipated?

Answer: The data and information gathering part of the study, which was conducted with assistance by Price Waterhouse, has now been completed. The official report, however, with appropriate summaries and conclusions will not be available until sometime in June.

Question: Have you had any contact with the GAO about the study and have you received any preliminary reports about the initial findings of the GAO analysis?

Answer: Preliminary discussions with GAO indicated that no conclusive results have been reached regarding the effect of increased loan limits on the MMI Fund.

Mr. Coughlin #3

Roxborough/Logan Special Projects Grant

Question: In our report accompanying the FY 1990 appropriations bill, we instructed the Department to provide $3 million for a special project grant to continue to address the serious ground subsidence problems in the Roxborough and Logan sections of Philadelphia. The instructions further prohibited the use of previous expended monies of other Federal funds to meet matching requirements.

Moreover, the monies provided in the appropriations bill--according to the instructions--must be matched by equal contributions of new monies by both the city and state, and these funds must be guaranteed prior to the release of any Federal funds. What is the status of this project?

Answer: The Department has not received an application from the City of Philadelphia.

Question: Is HUD following these specific instructions?

Answer: Because an application has yet to be received, the Department has not taken any action at this time on the proposed Philadelphia project. As you know, report language is not legally binding, and the Department currently does not intend to fund the special projects referenced in the 1990 Conference Report (except those projects specifically mandated by the 1990 Appropriations Act).

Mr. Coughlin #4

Flexible Subsidy Fund

Question: HUD has once again requested language to transfer excess rental receipts from the Rental Housing Assistance Fund to the Annual Contributions for Assisted Housing Account in 1991 rather than to the Flexible Subsidy Fund. Loan repayments and interest income, under you proposal, would be transferred to the Treasury Department starting 1991.

A proposal similar to this was rejected by the Congress last year.

In the justifications you do include a chart showing the estimated use of Flexible Subsidy Fund. The chart listed the number of projects expected to benefit from the Fund in fiscal 1990 and 1991. Is that correct?

Answer: The chart in the Justifications (reproduced below) does include the number of projects expected to be funded during 1990 and 1991. The number of projects decreases from 63 to 33 as a result of the proposal to phase out the program and to transfer excess rental housing assistance funds to the Annual Contributions for Assisted Housing account instead of to the Flexible Subsidy Fund.

ESTIMATED USE OF PROGRAM FUNDS

(Dollars in Thousands)

FISCAL YEAR	NO. OF PROJECTS	AVERAGE PER PROJECT	TOTAL
1990	63	$1,042	$66,179
1991	33	1,091	36,327

This phaseout of the Flexible Subsidy program reflects the availability of other resources to carry out essentially the same activities--e.g., loan management assistance, equity take-out loans, low-income tax credits and preservation initiatives proposed under the HOPE program.

Question: What is the estimated "demand" for participation in the program?

Answer: HUD recently surveyed Field Offices to measure the potential demand for Flexible Subsidies during the next 3 fiscal years. Field Offices were asked to identify eligible projects in their jurisdictions that were financially or physically troubled or that had Replacement Reserve balances less than $500 per unit. The results of the survey show 857 projects potentially needing such assistance during the next 3 fiscal years. Some of these projects could receive assistance under the alternatives to Flexible Subsidy noted earlier.

Question: How many applications have you received for Flexible Subsidy Fund in fiscal years 1990 and 1991?

Answer: A total of six applications have been received in the Field Offices through April 1990 for fiscal year 1990. In addition, there are 20 pending applications which were received during fiscal year 1989.

Question: The average cost per project is also provided (HUD Budget Summary, H-42) What is the average cost per project of the applications you received?

Answer: The Department does not have the average cost per application. However, the average cost of a project funded with Flexible Subsidy during the past 3 fiscal years is $812,000.

Question: Of the applications received, what is the approval rate?

Answer: We do not have accurate figures on approval rate since Field Offices may disapprove applications without Headquarters review.

Mr. Coughlin #5

Flexible Subsidy Program

Question: Last year we discussed the Presbyterian Apartment complex in Harrisburg, Pennsylvania and its funding request of $1.5 million under the Flexible Subsidy Fund.

Presbyterian Apartments' Home Office has contacted me again and indicated that the funds under the Flexible Subsidy Fund are apparently frozen. Is that true?

Answer: Last April, Flexible Subsidy funding actions were temporarily deferred due, in part, to the Congressionally mandated transfer of $150 million of Flexible Subsidy funds to the CDBG. This caused a situation where total Headquarters commitments (decisions) exceeded the available funding. Funding decisions had been delayed in an attempt to ensure that the most needy projects would be awarded the funds.

Question: Have new funding guidelines been developed?

Answer: Yes. A Notice Of Fund Availability announcing the new guidelines and application procedures will be published in the Federal Register around May 31. The new guidelines will target Flexible Subsidy funds to those projects with demonstrated emergency health and safety needs.

Question: Must a troubled project reapply for Flexible Subsidy fund assistance if their application was carried over awaiting new funds?

Answer: Not necessarily. If the HUD Field Office determines that the application meets the criteria for the new funding guidelines, it may be recommended for funding to Headquarters without resubmission by the owner.

Question: Please give me an update on the status of the Presbyterian Apartments in Harrisburg.

Answer: The Flexible Subsidy package was returned to the Philadelphia Office after funding actions were deferred last April. The Philadelphia Office will contact the project sponsor about reconsideration of funding when the new procedures are sent to all Field Offices (about 7 days before the NOFA is published in the Register.

Question: Do you feel it meets the assistance criteria? Wasn't the Flexible Subsidy Fund application approved by the Philadelphia Office?

Answer: The Philadelphia Office will determine whether the project meets the new selection criteria. The original application was recommended for funding by the Philadelphia Office.

Mr. **Traxler**. Mr. Mollohan.

PUBLIC HOUSING OPERATING SUBSIDIES SHORTFALL

Mr. **Mollohan**. Mr. Secretary, I want to join my Chairman and the ranking minority member in welcoming you to the hearing.

On page Q–3 of the justifications, you indicate that a $73.3 million short fall in funds required for 1990 operating subsidy requirements will necessitate Public Housing Authorities as being funded at only 96 percent of the Performance Funding System.

Public Housing Authorities in my area indicate that they are being asked to expect a 93.4 percent subsidy. Now, I assume that the lower figure indicates that HUD has increased its estimated short-fall for 1990. I am wondering if that assumption is a correct one.

Secretary **Kemp**. We believe the answer, Alan, is correct. The recent short-falls we have identified are the result from changes in the original OMB economic assumptions, used at the time of the budget estimate.

Our experiences in the Field relating to higher fuel oil costs, higher utility consumption during the very, very bitter cold spell of December caused us, incidentally, to add $49.2 million to an earlier short-fall estimate of $73.3 million.

We met with Mayor Dinkins of New York. We have had a number of complaints. Maybe Mr. DelliBovi can give you a broader perspective.

Mr. **DelliBovi**. The problem is that the funds available only cover some of the expenses. The expenses vary due to the big operating costs of utilities, fuel and electricity. When those costs go up there is a short-fall. We estimate them as best we can. This past December we found out our estimates were inaccurate.

Mr. **Mollohan**. The justifications were issued pretty recently. Do you think that these new numbers are pretty accurate, pretty solid, written in stone?

Mr. **DelliBovi**. Congressman, nothing is written in stone.

Mr. **Mollohan**. Let me withdraw "written in stone" and say "pretty accurate."

Mr. **DelliBovi**. The problem we have is the effect the weather has on utility costs. Our annual estimates are as good as anybody else's. Sometimes we have a foul up. There are only two sources of funds, our funds and what the tenants provide in rent. That is the dilemma we face.

Mr. **Mollohan**. That raises a question about the accuracy of your methodology.

Could you supply for the record, unless you can do it off the top of your head, the estimates that you have made and the experience that you have had over the last four years?

Mr. **DelliBovi**. We will be pleased to provide that for the record, the last four years.

Secretary **Kemp**. We will provide that for the record and show you the methodology we have used.

[The information follows:]

1986–1989 OPERATING SUBSIDY REQUIREMENTS

BASES FOR DIFFERENCES BETWEEN ESTIMATES AND ACTUALS

The following tables present a comparison between budget estimates and actual requirements for Operating Subsidies over the past several years. The tables also outline those factors which caused the difference between estimates and actuals. The factors have been divided between those which were the result of assumption changes (utility rates and usage, tenant income, etc.) and program changes (savings proposals which were not implemented of fully realized, changes needed to conform to new legislative requirements, litigation, etc.).

HISTORY OF OPERATING SUBSIDY ESTIMATE
(Dollars in Millions)

FY 1986

FY 1986 BUDGET		
Original Estimate........................	$1,010.6	
FY 1987 BUDGET		
Assumption Changes:		
PFS....................................	+94.7	
Non-PFS Projects.......................	+4.0	
Total..................................		+98.7
Program changes:		
Change in Estimate of Increased Income - 1981 Act.....................	+89.8	
Delay in Increased Income - 1983 Act....	+68.5	
Elimination of AEL Freeze...............	+52.6	
Estimated Impact of Retroactive Rent Credits...........................	+40.2	
Total..................................		+251.1
Revised Total Requirements................	1,360.4	
ACTUAL		
Assumption Changes:		
PFS....................................	-109.3	
Non-PFS Projects.......................	+3.2	
Total..................................		-106.1
Program Changes:		
Revised Impact of Retroactive Rent Credits...........................	-38.2	
Elimination of Estimated Income Increase - 1981 Act....................	+32.4	
Total		-5.8
Actual Total Requirements.................	1,248.5	

SUMMARY OF CHANGES FROM ORIGINAL BUDGET

CHANGES DUE TO ASSUMPTIONS......	-7.4
CHANGES DUE TO PROGRAM..........	+245.3
TOTAL........................	+237.9

HISTORY OF OPERATING SUBSIDY ESTIMATE
(Dollars in Millions)

FY 1987

FY 1987 BUDGET		
Original Estimate	$1,284.9	
FY 1988 BUDGET		
Assumption Changes:		
PFS	-27.2	
Non-PFS Projects	+5.8	
Total		-21.4
Program Changes:		
Change in estimate of increased Income - 1981 Act	+37.1	
Elimination of AEL Freeze	+87.2	
Funding for Insurance	+50.0	
Total		+174.3
Revised Total Requirements	1,437.8	
ACTUAL		
Assumption Changes:		
PFS	-52.7	
Non-PFS Projects	-.9	
Total		-53.6
Program Changes:		
Increased Funding for Insurance	+75.8	
		+75.8
Actual Total Requirements	1,460.0	

SUMMARY OF CHANGES FROM ORIGINAL BUDGET

CHANGES DUE TO ASSUMPTIONS	-75.0
CHANGES DUE TO PROGRAM	+250.1
TOTAL	+175.1

HISTORY OF OPERATING SUBSIDY ESTIMATE
(Dollars in Millions)

FY 1988

FY 1988 BUDGET		
Original Estimate	$1,462.2	
FY 1989 BUDGET		
Assumption Changes:		
PFS	+6.6	
Non-PFS Projects	+4.0	
Total		+10.6
Program Changes:		
Funding for Insurance	+65.0	
Total		+65.0
Revised Total Requirements	1,537.8	
FY 1988 Shortfall	-22.8	
Revised Estimate of Total Obligations	1,515.0	
ACTUAL		
Assumption changes:		
PFS	+16.5	
Non-PFS Projects	-5.2	
Total		+11.3
Actual Total Requirements	1,549.1	

SUMMARY OF CHANGES FROM ORIGINAL BUDGET

CHANGES DUE TO ASSUMPTIONS	+21.9
CHANGES DUE TO PROGRAM	+65.0
TOTAL	+86.9

HISTORY OF OPERATING SUBSIDY ESTIMATE
(Dollars in Millions)

FY 1989

FY 1989 BUDGET		
Original Estimate	$1,517.5	
FY 1990 BUDGET		
Assumption Changes:		
PFS	-14.9	
Non-PFS Projects	-5.7	
Total		-20.6
Program Changes:		
Elimination of Proposal for Defederalized Rents	+18.6	
Delay in Implementing Income Verification	+40.0	
Increased Funding for Insurance	+95.6	
Energy Incentives per 1987 HCD Act	+3.0	
Total		+157.2
Revised Total Requirements	1,654.1	
FY 1989 Shortfall	-36.6	
Revised Estimate of Total Obligations	1,617.5	
ACTUAL		
Assumption Changes:		
PFS	+24.6	
Non-PFS Projects	+4.2	
Total		+28.8
Actual Total Requirements	1,682.9	

SUMMARY OF CHANGES FROM ORIGINAL BUDGET

CHANGES DUE TO ASSUMPTIONS	+8.2
CHANGES DUE TO PROGRAM	+157.2
TOTAL	+165.4

Mr. MOLLOHAN. Does OMB establish the factors on which you rely?

Mr. KLIMAN. The economic assumptions are those assumptions used in the Budget provided by the Council of Economic Advisors through the OMB. Sometimes they are high and sometimes they are low.

ECONOMIC ASSUMPTIONS USED FOR OPERATING SUBSIDIES

Mr. MOLLOHAN. I will submit this question for the record, but I would like to have a detailed breakdown of the factors that caused HUD's estimates to be lower.

[The information follows:]

CHANGES IN 1990 OPERATING SUBSIDY REQUIREMENTS

The following table presents a comparison between the 1990 Budget estimates and subsequent revisions to 1990 Operating Subsidy requirements. Those factors which caused the estimates to be revised are also shown. They have been divided between those which were the result of assumption changes (utility rates and usage, tenant income, etc.) and program changes (savings proposals which were not implemented of fully realized, changes needed to conform to new legislative requirements, litigation, etc.).

1990 OPERATING SUBSIDY ESTIMATE
(Dollars in Millions)

	FY 1990	
FY 1990 BUDGET		
Original Estimate	$1,694.2	
FY 1991 BUDGET		
Assumption Changes:		
PFS	+104.8	
Non-PFS Projects	+7.3	
Total		+112.1
Program Changes:		
Need to Fund 1988 Shortfall	+14.0	
Delay in Implementing AEL Review	-30.0	
Delay in Savings from Tenant Income Verification	+40.0	
Drug Prevention Activities	+58.2	
Total		+82.2
Revised Total Requirements	1,888.5	
FY 1990 Shortfall	-73.3	
Revised Estimate of Total Obligations	1,815.2	
CURRENT ESTIMATE		
Assumption Changes:		
Increase in Utility Rates	+49.2	+49.2
Revised Total Requirements	1,937.7	
FY 1990 Shortfall	-122.5	
Estimate of Total Obligations	1,815.2	

SUMMARY OF CHANGES FROM ORIGINAL BUDGET ESTIMATE

CHANGES DUE TO ASSUMPTIONS	+161.3
CHANGES DUE TO PROGRAM	+82.2
TOTAL	+243.5

Secretary **Kemp**. Could I interrupt long enough to ask that I be allowed to submit for the record an answer to Mr. Coughlin's expressing the so-called anti-drug steps that we are taking in public housing for the record?

Mr. **Traxler**. We will insert that in the appropriate place in the record.

EXPIRATION OF SECTION 8 CONTRACTS

Mr. **Mollohan**. Thank you, Mr. Secretary. I am pleased that you proposed to review the expiring section 8 assistance. My judgment based on information I am getting from my home area is that we have to go beyond existing contracts.

As I talk with the housing authorities in West Virginia, I am hearing about waiting lists of four and five years. How does the department propose to deal with this continuing problem if, in fact, you agree it is a continuing problem?

Secretary **Kemp**. First, I will ask Mr. DelliBovi to respond more directly, but I want to let you know we in the Bush Administration are committed that we fulfill the pledge we made not only to you, but to those people, whatever the amount is necessary to fulfill that commitment 100 percent, to not let those contracts expire.

Al, do you want to go beyond that?

Mr. **Mollohan**. My question assumes you are going to do that. I am glad you are going to do that.

My question goes to the additional needs evidenced in my case by waiting lists of several years of folks waiting for this program.

Mr. **DelliBovi**. We have requested about 8,200 incremental units. Those are incremental units providing housing for people who are not now receiving assisted housing.

FAIR SHARE FORMULA

Mr. **Mollohan**. Do you think the allocation formula is fair?

Mr. **DelliBovi**. It is a fair share formula as mandated by the Congress. It is based on demographic and housing factors that from the 1980 census our research people refine in carrying out the formula.

Mr. **Mollohan**. Is it unusual to have waiting lists across the country with hundreds of names?

Mr. **DelliBovi**. There are many cities that have waiting lists for housing.

Mr. **Green**. Try 200,000 in New York City.

Mr. **DelliBovi**. There are a number of cities that have lots of vacancies. We wish we could move the vacant units to the cities that have the waiting lists.

Secretary **Kemp**. I want to add a point. Let's not forget this point when it comes to remembering how efficiently and effectively we can get the greatest bang for our Federal dollar.

I would be happy to explore with this committee, getting more incremental units into the budget. We tried to reform our funding process by looking at a variety of criteria, competition, objectivity, need, merit, et al. We are not saying it is a perfect allocation formula, but we would like to work with you to make sure that it is fair to all the States.

I know you are concerned about your State and you should be. We all should be concerned about our States.

Mr. **Mollohan**. There is a very passionate feeling that the formula is not fair. I would like you to address that. Even if the need is not being met adequately, that unmet need should be distributed fairly if you understand what I am trying to say.

I will have a couple of questions for the record in that regard.

[The information follows:]

Questions for the Record Provided by Congressman Mollohan

Mr. Mollohan #1

Operating Subsidies Budget Estimates vs. Actual Experience

Question: Could you please give me a breakdown of the differences over the past four years between the Administration's budget estimate for operating subsidies and the actual requirements?

Answer: A comparison of Operating Subsidy estimates and actual experience for fiscal years 1986-1989 follows:

HISTORY OF OPERATING SUBSIDY ESTIMATE
(Dollars in Millions)

FY 1986

FY 1986 BUDGET		
Original Estimate	$1,010.6	
FY 1987 BUDGET		
Assumption Changes:		
PFS	+94.7	
Non-PFS Projects	+4.0	
Total		+98.7
Program changes:		
Change in Estimate of Increased Income - 1981 Act	+89.8	
Delay in Increased Income - 1983 Act	+68.5	
Elimination of AEL Freeze	+52.6	
Estimated Impact of Retroactive Rent Credits	+40.2	
Total		+251.1
Revised Total Requirements	1,360.4	
ACTUAL		
Assumption Changes:		
PFS	-109.3	
Non-PFS Projects	+3.2	
Total		-106.1
Program Changes:		
Revised Impact of Retroactive Rent Credits	-38.2	
Elimination of Estimated Income Increase - 1981 Act	+32.4	
Total		-5.8
Actual Total Requirements	1,248.5	

SUMMARY OF CHANGES FROM ORIGINAL BUDGET

CHANGES DUE TO ASSUMPTIONS	-7.4
CHANGES DUE TO PROGRAM	+245.3
TOTAL	+237.9

HISTORY OF OPERATING SUBSIDY ESTIMATE
(Dollars in Millions)

FY 1987

FY 1987 BUDGET		
Original Estimate	$1,284.9	
FY 1988 BUDGET		
Assumption Changes:		
PFS	-27.2	
Non-PFS Projects	+5.8	
Total		-21.4
Program Changes:		
Change in estimate of increased Income - 1981 Act	+37.1	
Elimination of AEL Freeze	+87.2	
Funding for Insurance	+50.0	
Total		+174.3
Revised Total Requirements	1,437.8	
ACTUAL		
Assumption Changes:		
PFS	-52.7	
Non-PFS Projects	-.9	
Total		-53.6
Program Changes:		
Increased Funding for Insurance	+75.8	
		+75.8
Actual Total Requirements	1,460.0	

SUMMARY OF CHANGES FROM ORIGINAL BUDGET

CHANGES DUE TO ASSUMPTIONS	-75.0
CHANGES DUE TO PROGRAM	+250.1
TOTAL	+175.1

HISTORY OF OPERATING SUBSIDY ESTIMATE
(Dollars in Millions)

FY 1988

FY 1988 BUDGET		
Original Estimate	$1,462.2	
FY 1989 BUDGET		
Assumption Changes:		
PFS	+6.6	
Non-PFS Projects	+4.0	
Total		+10.6
Program Changes:		
Funding for Insurance	+65.0	
Total		+65.0
Revised Total Requirements	1,537.8	
FY 1988 Shortfall	-22.8	
Revised Estimate of Total Obligations	1,515.0	
ACTUAL		
Assumption changes:		
PFS	+16.5	
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(Dollars in Millions)

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CHANGES DUE TO PROGRAM	+157.2
TOTAL	+165.4

Mr. Mollohan #2

Explanation of Differences in Operating Subsidies Estimates and Actual Experience

Question: It's my understanding that the estimate has always been lower than the actual requirements, resulting in shortfalls that are made up in supplementals, absorbed by the housing authorities, or both. I understand, of course, that this is an inexact science, but we do seem to have a pattern of HUD underestimating requirements. How do you explain that? Please provide for the record a detailed breakdown of the factors that caused HUD's estimates to be lower than actual requirements over the past four years.

Answer: Two main factors affect the accuracy of HUD's estimates. One is estimating inflation for utilities, other costs, and income 2 years into the future. If each of these three elements are underestimated by just 1 percent, the difference in the result would be $11 million, $28 million, and $21 million, respectively, for a total difference of $60 million. The second factor relates to the assumptions included in the Budget. These may reflect proposed program changes which may not be enacted and/or implemented during the applicable budget period and/or the subsequent addition of program revisions such as funding for insurance which had not been anticipated when the budget estimates were developed.

Mr. Mollohan #3

Utility Cost Factor for Operating Subsidies

Question: There also seems to be some debate about the utility cost factor. Are you confident that the current formula is the most accurate that can be expected?

Answer: Yes, the Department is confident that the current formula for utility rate assumptions is as accurate as is currently possible. It is based on Short-Term Energy Price Projections produced quarterly by the U.S. Department of Energy. It is always difficult to predict the change in utility rates.

Mr. Mollohan #4

Economic Factors Used for Operating Subsidies

Question: Does OMB establish or approve the economic factors used in determining the PFS?

Answer: The Office of Management and Budget (OMB) provides the Economic Assumptions that are used by all agencies in the development of budget requests. HUD estimates of future Performance Funding System (PFS) requirements are based on these assumptions. However, when housing agencies calculate their actual PFS eligibility, they reflect actual utility rates, income levels, and a non-utility inflation factor that is based on actual local government experience.

Mr. Mollohan #5 and #6

Housing Assistance Need

Question: Does the Department have detailed and reliable information about the relative need across the country for Section 8 assistance?

Answer: Yes. The Department uses decennial Census data describing need for housing assistance in every county in the United States. Consistent with statutory requirements, these data indicate the population, poverty, crowding, substandard housing, rent burden, and vacany status of rental housing in each local area.

Question: When I talk of waiting lists hundreds of names long, is that unusual? Are other parts of the Country more in need, less in need, or about the same?

Answer: There are about 4 million unassisted very low-income families and elderly individuals that are paying more than half of their income for rent or are living in structurally inadequate housing. Since these households are eligible to apply for assistance, and given the number of incremental housing units made available each year under the housing assistance programs, it is not unusual that waiting lists would exist for the assistance. There is significant need in all four Census regions. About half of the need is in central citites; roughly one-third is in suburban areas, with the remainder in nonmetropolitan areas.

Question: Do you think the existing allocation formula is fair? Is it meeting the relative needs in different parts of the Country in the most fair way possible?

Answer: The existing formula uses the best available data in a consistent way for all areas. One significant drawback is the need to rely on decennial Census data, due to the scarcity of reliable, local area data. Obviously, completion of the 1990 Census will significantly improve the ability of the formula to reflect current need. Another area that could be improved is that the formula does not take into account the inventory of available assisted housing in each area. If there are relatively over-served areas, adjustments might be made to deliver assistance more toward current needs. Given current data availability, however, the formula does target assistance to need in the different parts of the Country in the most fair way possible.

Mr. Mollohan #7

West Virginia Building Rehabilitation/Reutilization Program

Question: Joe Hatfield, Executive Director of the West Virginia Housing Development Fund, wrote to you last August to describe West Virginia's Building Rehabilitation/Reutilization Program. It is evidently a very successful program, and I wonder if you have looked at it and considered something similar on a Federal level?

Answer: Although HUD has not implemented a program like the Building Rehabilitation/Reutilization Program (BRRP), I want to point out that this approach is somewhat similar to the proposed HOPE (Homeownership and Opportunity for People Everywhere) grants to nonprofit organizations for low-income homeownership, and serves the same population of people in need. Also, it is an eligible activity for CDBG funds.

Mr. Hatfield also described another program, the Inventory Recycling Incentive Program (IRIP), which is directed at housing very large families with poor credit or income histories. This program has been used primarily with Farmer's Home Administration inventory properties, and essentially says that a family will, if necessary, be subsidized in their monthly payments for up to 3 years. So far, the West Virginia Housing Development Fund has resettled 40 families without spending any money.

DRUG PROBLEM IN RURAL AREAS

Mr. MOLLOHAN. One more question, Mr. Chairman, if you will.

I want to compliment you on the drug elimination program, Mr. Secretary. I think you are doing a terrific job. The problem I want to alert you to is that the drug problem is not a problem only of large urban areas. It exists in the less urban and more rural areas. I would ask that as you allocate money for this program you not overlook problems in the smaller communities.

In Wheeling, West Virginia, we have somewhat of a problem. We would hope as you look at this program that you will not overlook the smaller communities.

Secretary KEMP. I pledge to you that I won't. I often talk about urban America because of the nature of HUD's mission. But we do not deny the fact that there are pockets of poverty, helplessness, homelessness and drug despair in the rural areas and the suburbs.

You never hear Kemp ever saying this can be limited to just one part of the demography of our country or one area. It is really more universal.

Mr. MOLLOHAN. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

USE OF CDBG FOR HOUSING VERSUS ECONOMIC DEVELOPMENT

Mr. TRAXLER. Mr. Chapman?

Mr. CHAPMAN. Let me just follow up briefly, Mr. Secretary, on Mr. Mollhan's comment, and put a little different spin on the CDBG funds and ask if there is a tendency to move more to housing as opposed to economic development.

Again, representing a rural district, some of the community development block grants have been very helpful, in housing, of course, but in other economic development efforts as well.

To you, is there any premonition or is there any leaning one way or the other to restrict or prejudice, I guess would be the word, low-income housing as opposed to the economic development efforts and the good that is done?

Secretary KEMP. No. Let me say to the gentleman from Texas that we are not biased any way. We think anything that can rehabilitate housing, that can utilize the nonprofits some way in construction, rehabilitating, job development, economic development. We think the antipoverty bias, if you will, is a good one, or targeting I should say, by making sure the communities and the people who need the most are getting the most help and that our dollars are directed to the types of things that fight poverty, housing, homeownership, economic development, jobs, helping families with some of the problems of social services.

In some cases it could be information. But we just want to make sure that needy people and needy communities get the money they need that are targeted. I would not tip it one way or another vis-a-vis housing and economic development.

HOMEOWNERSHIP DEMONSTRATIONS

Mr. CHAPMAN. I appreciate that comment.

I am fascinated by the Hope initiative. In the $250 million for homeownership grants, has there been a demonstration project in this area? What has your experience been and what kind of expansion of that experience is this initiative this year?

Secretary **Kemp**. There have been a number of individual demonstrations. There is not one paradigm or model that can be applied to every single condition in assisted housing or public housing or those that are in danger of, say, of prepayment. We have seen, I have personally seen and have been encouraged by incredible success stories in resident management and homeownership.

Kenilworth Parkside has gotten tremendous publicity, some good, some not so good. In Tennessee, we did a demonstration of a public housing authority in using the banks, the mayors, HUD in which residents got keys of ownership and tears flowed.

We did it in Massachusetts and I think Mr. Atkins will recall, it was Lowell, Massachusetts. We were together in Lowell, Massachusetts, at the North Canal Apartments. I do remember, I was afraid I would trespass on the gentleman's district.

Mr. **Chapman**. They are still looking for more money.

Secretary **Kemp**. That was a very exciting day in which Mr. Atkins, the Senators, the Mayor of Lowell, the Bank of New England, it was incredible to see those women in homeownership for the first time.

We are headed for that all over the country. Every single one takes a different approach, almost. It takes an incredible devotion of capital, interest by the residents. I would rely more on the gentleman who had the experience in his own district, Mr. Atkins, but I think even holding out the hope that it can be emulated in public-assisted or HUD-assisted public housing communities around America, changes the outlook of the residents away from survival overnight to long-term expectations and plans and behavioral and attitudinal modification which is more consistent to what we think is productive to human activity.

I think this is the most exciting thing that has come along. I would like to privatize maybe a couple of hundred public housing communities and homestead in a lot of other communities.

With the help of this Congress, I think we could do it.

Mr. **Chapman**. With that kind of enthusiasm and the track record as you grow into this program, would I be safe to say, assuming the continuing success of the program, that would be a budget item you would hope to build on and expect to see grow each year?

Secretary **Kemp**. Absolutely. I don't want to diminish the opportunities to have rental assistance and housing assistance. But I want every public housing family in America to know that this is the Secretary and this is an Administration and we are working with the Congress, Democratic and Republican alike, to give them the same opportunity in public housing and low income communities that those folks living in suburbs have had in their lives. I think it is an absolutely essential ingredient in any war against poverty, drugs and despair.

I alluded to Bill Raspberry's incredible column about what happens when people have access to incomes, homes, things that they can call their own. It shapes behavior for the good.

I expect it to be the overall lodestar of our stewardship of HUD.

SHELTER PLUS CARE PROGRAM

Mr. Chapman. Under the shelter plus care initiative, I am not sure if I understand that within the funding of the shelter plus care initiative itself, does HUD contemplate being the provider of services beyond housing assistance?

Secretary Kemp. No. We have enough trouble doing our own task without getting into that territory.

Mr. Chapman. Does any of the funding that is provided under that initiative go to the provision?

Secretary Kemp. Yes.

Mr. Chapman. Under a contract basis?

Secretary Kemp. The funding is done competitively and asks the local municipality to come up with a program that would tie the HUD-provided housing assistance to the local delivering of the services, whether it is nonprofit or municipal on a matching basis.

Mr. Chapman. The HUD funds will pay a portion of that supplemental service that will be provided; is that it?

Secretary Kemp. HUD would be involved in providing the moneys that would go to the shelter and the outright housing assistance.

Mr. Chapman. But drug rehabilitation counseling, that would be tied together but not directly with this appropriation?

Secretary Kemp. It is only tied to the extent that it requires the city, the municipality, to come up with unique programs that are positive and progressive in tying together the shelter subsidy with the subsidy to treatment and/or delivery of services either to the elderly or in this case, the low income people themselves.

Mr. Chapman. So the initiative, the reset then of HUD funding would depend on their successful packaging, I suppose, of a program that would address this need?

Secretary Kemp. That is correct.

Mr. Green. Would the gentleman yield?

Mr. Chapman. Surely.

EXTENT CITIES CONTROL FUNDS

Mr. Green. I think you are raising a very interesting and important point. I can recall when I was a HUD regional administrator and then Mayor Kenneth Gibson of Newark, New Jersey, told me that of the 14 sources of money for drug treatment coming into Newark, he could really control the use of only one. All the rest were coming from federal or state sources and he had no capacity to direct where they went or how they were used.

I wonder if, in putting this care plus together, Jack, the department has looked at the capacity of cities actually to control these other kinds of resources in order to put this package together?

Secretary Kemp. Bill, we have a demonstration project with the Robert Wood Johnson Foundation. They are meeting this week to select eight cities. But it gave us the idea or the concept around which we have tried to expand this Shelter Plus Care idea, plus the editorials in the New York Times and my own trips. This is really the outgrowth of a very exhaustive and experiential effort we have made to try to find a better answer than just providing a warehousing approach to the problems these people face. We think funds could be made from HHS, from CDBG. It would not make any sense for us to actually deliver the service but we think that we can use our matching moneys to get communities to come up with innovative programs.

Mr. CHAPMAN. So there is a possibility in putting together such a project, if you will, in a community, perhaps grant funds maybe from HHS or some agency dove-tailed with these programs packaged by a community and presented that would address this need?

Secretary KEMP. Yes, sir. Between Lou Sullivan and myself, we signed a Memorandum of Understanding, shocking as it may sound, for the first time in history. I cannot understand how this never happened before. But Lou and I are working together. We have developed this Memorandum of Understanding to work out a way in which we can tie HHS's approach, HUD, and the locality to this incredibly complex problem and treat people holistically instead of as a statistic put into different boxes along the social welfare housing scheme of things.

I don't want to promise perfection, but we are making every effort to finally get coordination not only between the two Federal agencies, but also the Federal and local governments and the provider.

Mr. CHAPMAN. I would like to thank the Secretary for his excellent testimony. Good work. We appreciate it.

Mr. TRAXLER. Mr. Atkins.

Mr. ATKINS. Thank you, Mr. Chairman.

EVICTING DRUG DEALERS FROM PUBLIC HOUSING

Mr. Secretary, I want to tell you how much I appreciate your visit to Lowell and the North Canal project. I had the opportunity to go back there a couple of weeks ago. The single biggest concern that they have and really the thing that is going to determine whether that effort is successful or not is the question of being able to keep drug dealers out of those units.

The single greatest tool that housing authorities have is the ability to evict people. We spoke last year about changes in the lease and grievances procedure that you had initiated. There have been some further changes that I have had the opportunity to work with you on to tighten that up.

The problem occurs now, and I checked just to see what was happening one year later with your bureaucracy. Apparently, there are no statistics that are kept by HUD on evictions from the various PHAs. The thing I checked with individual PHAs, that while the evictions are up somewhat, there is a serious problem, and the problem is that the breach that HUD and the Congress punched in the armor of the drug dealers has now been patched over by the legal services corporation.

Legal services in many jurisdictions are successfully defending drug dealers in public housing. It is not true for all of them, for instance, Boston Legal Services will not take cases of convicted drug dealers who are trying to stay and exercise their right to have taxpayer subsidy for their living arrangements or for their business operations. But most other legal services corporations are not only protecting, but I know in my area that covers Lowell and Lawrence, the Merrimack Valley Legal Services have put the highest priority on protecting the right of convicted drug dealers to remain in public housing.

Secretary **Kemp**. Wow?

Mr. **Atkins**. It seems to me the drug elimination grant program that you have is really meaningless if you don't have the capacity on the part of the housing authority to evict at least those people who have been convicted and those people where there is a preponderance of evidence of drug dealing.

Is there a necessity to make that program work for new strategic changes? Secondly, have you considered doing something to direct the funding to areas where legal services is not using taxpayer money to undermine your expenditures?

Secretary **Kemp**. What a profound question the gentleman from Massachusetts has raised, and one that this Secretary appreciates very much.

Mr. **Atkins**. I am not sure it is profound. It is pretty simple.

Secretary **Kemp**. It is profound, Chet, in the sense that it points out that sometimes one hand does not know what the other hand is doing.

As you pointed out, the cul-de-sac into which we have wandered in which I can remove the HUD lease and grievance procedure where there is due process at the State level such as in Virginia, where I waived it, and in Massachusetts, the home State of the gentleman speaking.

I said wherever there is due process, our Office of Drug Free Neighborhoods, and my legal general counsel, Frank Keating, who is not with me today, has investigated where there is a need to be tough on drugs and we want to be tough. I don't know that the Congress would let me say there would be no drug abatement areas for areas using legal services. If you want to put that in the law, I would be glad to help.

Mr. **Atkins**. That would be harsh, but it seems to me you can, in handing out those drug grants, put a heavy incentive for people to go to war against drugs in those areas.

Secretary **Kemp**. Not only do I want to evict those people, I would like to put them in a separate form of public housing. I would like your help in helping me get rid of Section 8 certificates and vouchers that are in the hands of people who are using and dealing drugs.

Believe it or not, we have had cases in Philadelphia—Mr. Coughlin is not here—where someone took their rental assistance and moved into a new public housing community, having been evicted from another HUD housing community. It is outrageous and points out almost as big an absurdity as the gentleman points out between our efforts and legal services.

LEGAL SERVICES FOR DRUG DEALERS

Mr. **Atkins**. I can tell you unwittingly, because in part there is not a total program and in part because of the activity of legal services, that there is now in Lawrence, Massachusetts, there has been a tremendous problem. There is now a major Federal subsidy for drug dealers. It seems to me that in order to make this other program work there needs to be a total commitment, whether they are statutory changes, whether they are punishments that are imposed, I would appreciate your, for the record, putting together whatever thoughts that you have.

If you need legislation to remove Section 8 from drug dealers, I would think that that would make very good sense. But for the city of Lawrence, the city is being decimated by this.

We now have a case where it has been over a year. The woman has a common law husband who is living illegally with her in public housing. Legal services have expended, by my estimate costing it out in hours what for a private individual would be 40,000 or 50,000 of legal services. They have now talked the Boston Bar Association into bringing in one of their top attorney's. This person has been convicted and on top of that to add insult to injury, is not paying their rents as well and is in a nonpayment of rent situation as well.

Secretary **Kemp**. I will have Julie Fagan call your office. She is the head of my Office for Drug-Free Neighborhoods. She worked with Governor Romer of Colorado in making Colorado drug free. She is an outstanding and able woman who has come to us from Colorado. I would like her to call you and get your experience, and maybe we can help fashion something in this other than what is going on in the Franz Kafka-like or Rube Goldberg-like environment.

Mr. **Atkins**. I would appreciate that.

One start would be for HUD to collect those statistics nationally so that we would have a sense of what is happening with those evictions and when whatever we devise is working——

Secretary **Kemp**. I will have a full report to you on how much we have done and have Ms. Fagan get in touch with you and bring it to your attention.

DEWILDE POOL FUNDS

Mr. **Atkins**. In the April 1989 supplemental budget there was a provision which required the expenditure of the DeWilde Pool funds created in 1973 as part of a contractual agreement between HUD and the state finance agencies to close out projects that were already under construction at that time.

To my knowledge, none of that funding, the last I checked, had been expended. The law requires that within 45 days of an application from a state, to provide a response to them. Their applications from Massachusetts is in for $1.2 million, money which is desperately needed to bring 3000 units of public housing up to fire code standards in the state.

Can you tell me why or what is the problem there?

Secretary **Kemp**. Briefly, apparently this has been going on for some time. About 13 States were affected. We requested a meeting in February of this year with the affected States. Incidentally, only two showed up, New York and Massachusetts, to discuss the close-out letter.

The final determination of what will and will not be funded from the new DeWilde Pool was discussed. Once that close-out letter is completed, it will be cleared, as usual, by OMB and the States. Until that time, the funds cannot be used.

Al, when will this be resolved?

Mr. **Kliman**. That has been going on for the past decade plus. I thought I was getting rid of it last year.

Secretary **Kemp**. What do you think?

Mr. **Kliman**. I would think within the next couple of months something could happen on this one.

Mr. **Atkins**. This is the law. The supplemental budget makes no reference to a close out letter. It says within 45 days of application——

Secretary **Kemp**. But don't you need a close-out letter to know how much money? We have to reconcile this.

Mr. **Atkins**. I believe you know that. It was assumed in the supplemental budget for the amounts. That amount is not a secret.

Mr. **Kliman**. Unfortunately, Mr. Atkins, this particular area is one of the precursors to some other messes that we had, where we had different letters with different States and nobody is really sure what is in them.

What is necessary to get done is to get total agreement on the whole thing.

Secretary **Kemp**. Let me cut through some of the obfuscation. It is not by intent but it is a lengthy and laborious process. I will pledge to you that I share your desire to get a speedier resolution of this lengthy process and would my guarantee that we will have that resolved within two months satisfy you?

Mr. **Traxler**. Take the deal.

Mr. **Atkins**. Under advice of counsel, I will take the deal.

Secretary **Kemp**. If I cannot, I will be forthright enough to come and tell you what my problem is but I guarantee within two months I will have on your desk a solution or a damn good excuse as to why it hadn't happened.

We will set the deadline, two months. I don't know as much about the details of the past as I want to clear it up for the future.

Mr. **Atkins**. I thank you for that, Mr. Secretary. I hope that we are not having the discussion at next year's hearing because I guarantee you the staff will have it on my list.

One final question, I will submit the question for the record.

[The information follows:]

Questions for the Record Provided by Congressman Atkins

Mr. Atkins #1

Units Eligible for Prepayment

Question: I'd like to focus for a moment on expiring use. HUD estimates that 12,500 units of Section 221(d)(3) and Section 236 housing are eligible for prepayment in FY91. Does that figure include the units that were unable to prepay due to the moratorium established in the 1987 act?

Answer: The actual number of units eligible for prepayment under current law totals 98,000 through fiscal year 1991. The 12,500 units cited in the 1991 Budget represent our best estimate of the number of units which would be supported by the $412 million being requested under Annual Contributions for the Public Housing Homeownership/Prepayment component of the HOPE initiative.

The 12,500 units are comprised of 4,420 units to be transferred to tenant ownership and 8,080 units of incentive payments or voucher protection for tenants adversely affected by prepayment.

Mr. Atkins #2

Question: How many units are eligible to prepay in FY1992?

Answer: Approximately 46,400 units are eligible to prepay in fiscal year 1992, 144,500 units cumulatively. The Department has budgeted to fund the number of units HUD regards as necessary to prevent the most likely projects from prepaying.

Mr. Atkins #3

Preservation

Question: The HOPE proposal includes $412 million to preserve expiring use units and channels the funds into three broad options: Tenant ownership, incentives to current owners not to prepay and vouchers for displaced tenants. The "H" in HOPE stands for Homeownership, and as I understand it, tenants will have first rights to match any offer to value of 10-years of vouchers per unit, if roughly 6,900 tenants opt for ownership, HUD will be out of money for the other 5,600 units. Isn't $412 million too little to preserve expiring use?

Answer: The total funding of $412 million will cover the costs of the homeownership, inducements to the owners to discourage prepayment and vouchers for tenants where the owner prepays the mortgage. The Department currently estimates that the average net cost of homeownership is approximately $51,500 per unit. This estimate is based on FMRs in those areas where the projects are located. The Budget assumes that 4,420 units will be transferred to tenant ownership at the net cost of approximately $51,500 per unit and 8,080 units of incentive payments or voucher protection will be provided at the net cost of approximately $22,800 per unit.

In addition to the $412 million, incentives such as insurance for the Section 241(d) supplemental loan or the Section 241(f) equity take out loan are proposed. Modifications to regulatory agreements may also encourage owners to keep the projects as low income. These modifications include

Mr. Atkins #4

Present Value Vouchers

Question: The Congressional Budget Office estimates the present value of 10-years of vouchers to be under $50,000. Why is there a difference?

Answer: Currently, the Department's estimate of the net present value of a 10-year voucher based on average Fair Market Rents (FMRs) and average unit bedroom size distribution equals approximately $55,500. The average FMR is estimated at $6,535 per year and is adjusted for inflation annually at a rate of 4 percent. The discount rate applied to determined the net present value is 8 percent. The difference between HUD's estimate and the Congressional Budget Office estimate of less than $50,000 may be attributed to several factors. CBO's estimates may include lower rents or a higher proportion of smaller units, decreasing the average per unit Fair Market Rent for each fiscal year. CBO's estimates may also incorporate inflationary increases of less than 4 percent each year and/or a discount rate greater than 8 percent.

Mr. Atkins #5

Average Price in Massachusetts

Question: Again, according to HUD, the average price for an expiring use unit in Massachusetts is $80,000. Where did HUD get that figure?

Answer: The $80,000 estimate is for Boston and not the entire State of Massachusetts. The estimate is based on a Fair Market Rent of $9,375 per year for the area. This figure is larger than the national average because rents are exceptionally higher in Boston than in other cities.

Mr. Atkins #6

Financing Improvements

Question: All expiring use properties are about twenty years old, and even properties that are well maintained often need extensive capital improvements. Is there anything in the budget to help new, tenant-owners finance repairs and capital improvements?

Answer: Yes. One of the allowable uses of the funds is for rehabilitation and other technical assistance to new tenant-owners. The funds can also be used to establish operating and replacement reserves. If an owner seeks incentive payments, the property must first be repaired with the incentive payments before the owner receives an equity loan.

Mr. Atkins #7

Operating Subsidies, Counseling and Job Training

Question: Part of the plan for tenant owned units includes operating subsidies, counseling for new owners and job training. Is this part of that same $412 million dollar pot?

Answer: The $412 million in budget authority can also be used to fund counseling activities for tenants regarding their new responsibilities as homeowners. The job training aspect of the HOPE program is included under the Operation Bootstrap initiative whereby housing assistance is provided in conjunction with other local services such as job training and day care to enable subsidy recipients to achieve financial independence.

Mr. Atkins #8

Incentives to Owners

Question: One incentive to induce current owners not to prepay is to remove the Fair Market Rent cap to allow owners to collect rents based on 30% of tenant income even if it exceeds the cap. How big an incentive is this for owners?

Answer: The Department estimates only a small number of tenants pay rents above the FMR based upon 30 percent of their income, providing little incentive to owners. Lifting the FMR cap to provide additional cash flow to owners would be an effective incentive but may result in non-subsidized tenant rent burdens to be excessive.

Mr. Atkins #9

Preservation Through Homeownership

Question: Using the $412 million currently in the budget, how many units do you expect to preserve through tenant ownership for enticing current owners not to prepay?

Answer: Considering ~~t~~he per unit funding available under the program, approximately 10 percent of the owners units most likely to prepay will not receive enough funds to either be purchased by tenants or induced to remain low-income units. The 10 percent estimate is derived from the per unit values established by the report of the National Low Income Commission. However, under transitional rules under the proposed program, no units would be able to prepay until fiscal year 1993. Given the $412 million for prepayment in the HOPE program, the Department expects to provide funding to preserve units or protect tenants in approximately 14,900 units.

CONCLUSION

Mr. **Traxler**. The supplemental will be on the Floor this afternoon. We are hopeful that it will be completed around 2:30. So what we would ask is that we come back at 2:30. If we are a bit delayed, please understand why.

The Chairman of the full committee has asked that we be around, so we are looking at 2:30 or 2:45. We will reconvene the hearings hopefully at that time.

We appreciate your patience this morning and look forward to seeing you this afternoon.

WEDNESDAY, APRIL 4, 1990.

PREPAYMENT/PRESERVATION

Mr. **TRAXLER**. Let's pick up with some general questions this morning.

Let's turn to the prepayment issue. There is a great deal of concern about the potential loss of housing for low and moderate income families. We note that in your statement to us yesterday, you estimate that there are nearly 334,000 of FHA assisted multifamily housing in the Section 221 and Section 236 programs that are going to be eligible for prepayment, as you recall, within the next 15 years. That is a matter of some concern to the committee, and to the agency.

Last year we were told at the hearings that there were about 365,000 units that you thought at that time were eligible for prepayment. Do you think yesterday's figure is the correct one, is that what you revised now?

Secretary **KEMP**. I am sorry——

Mr. **TRAXLER**. You had 365,000 units last year.

Secretary **KEMP**. What are we using, 334,000?

Mr. **TRAXLER**. We are looking at 334,000 units this year. That would be a revised figure?

Mr. **DELLIBOVI**. That's correct.

Mr. **KLIMAN**. That is the latest figure we have from Housing.

Secretary **KEMP**. We have been joined at the table by FHA Commissioner Fitts, so Austin will be answering some of these questions as well. We think 334,000 is a more accurate figure, but you have, as I told you yesterday, from this Administration our commitment to doing what is necessary to fulfill that pledge that we made last year and ask for more money or whatever the requirement is to make sure that we don't let these folks suffer the vicissitudes of an expiring Section 8 contract without our commitment.

Mr. **TRAXLER**. Now, the best judgment in the Department is that there is about 154,000 of that may be prepaid. The National Low Income Housing Preservation Commission, which is looking at this issue, said that there might be as many as 243,000 likely prepayments.

Can anyone explain that?

Secretary **KEMP**. Austin, go ahead.

Ms. **FITTS**. Both estimates are very dependent. It is extremely hard for us to estimate each one by one. There is a big difference between the Task Force and the Department at this point because many of the markets that those projects are located in are falling off, and the open market price on those projects has a great deal to do with whether or not they will prepay but it is extremely difficult to estimate.

HOPE AUTHORIZATIONS

Mr. **TRAXLER**. We appreciate that point. The 1991 budget requests approximately $1.2 billion, as you told us yesterday, for HOPE initiative, and of that amount $250 million is for HOPE grants, $161 million is for rental housing assistance for the homeless, and the balance of approximately $780 million that is requested under the annual contributions for assisted housing for a number of housing programs.

Tell us what parts of the HOPE Program would require authorization. We mean the substantive program authorization, not a given dollar amount.

Secretary **Kemp**. This is a great question. I appreciate it.

Let me respond for the record, as well, because I would like Tim Coyle and all of my people to tell us exactly for the record what the specific answer would be to the question of how much of HOPE needs to be authorized as opposed to, you know—we do know several things: Number one, that the authorization to continue the urban homesteading idea, not resident management, that has to be reauthorized.

I think it sunsets this year. The low-income housing tax credit, I guess, also is sun-setted, the HOPE grants. All provisions within HOPE, I am told, need to be authorized, some reauthorized.

Mr. **Traxler**. When you do that, for the record, please, would you indicate to the extent possible what those different HOPE programs are and indicate also how much money you are seeking for each of the proposals.

Secretary **Kemp**. Okay. I will do that for the record.

[The information follows:]

HOPE INITIATIVES LEGISLATIVE REQUIREMENTS

Very little of what we are proposing to do under our HOPE legislation can be done without legislative authorization. Specifically:

-- Public Housing Homeownership (HOPE 1): While funding for modernization for public housing units sold to tenants could be provided through the Comprehensive Improvements Assistance Program, most of the other eligible activities, including counseling and training and post-sale subsidies, could not be funded through current programs. In addition, transfer of public housing to other than tenant organizations for homeownership purposes is not currently practicable.

-- HUD Multifamily Homeownership (HOPE 2): No funding sources currently exist to enable tenants to purchase their HUD multifamily buildings, nor are there any program structure or procedures to enable them to do so.

-- Homeownership through Nonprofit Organizations (HOPE 3): Low-income families are currently able to buy homes owned by HUD, VA and FmHA under the Urban Homesteading program. But HOPE would expand the inventory of properties which could be used for homesteading to include State and locally owned properties. It would also expand the activities that can be funded by HUD to include rehabilitation, development costs, and the creation of replacement reserves.

-- Shelter Plus Care: The flexible rental assistance created under this program, which would meet the changing housing needs of the chronic homeless as they move to more independent living, could not be provided under current programs. In addition, because of the services matching requirement of this program, unlike in current programs for these people, needed services to these people will be guaranteed.

-- HOPE for Elderly Independence: Funding for services for the frail elderly, to help them live independently in existing housing of their choice, is not currently authorized under any HUD program.

-- Operation Bootstrap: This program is currently in operation. However, under the HOPE initiative Public Housing Authorities and local governments would be required to have an Operation Bootstrap program in place. Without the requirements of Operation Bootstrap, HUD cannot tie housing assistance to the activities needed to help low-income families become self-sufficient, in order to break the cycle of welfare dependency.

-- Housing Opportunity Zones: Without the HOPE legislation, HUD could not designate areas as Housing Opportunity Zones and provide the funding bonuses or regulatory relief called for in the legislation. The removal of costly regulatory barriers would be difficult to encourage without this legislation.

-- Low-Income Housing Tax Credit: Without this legislation, the Low-Income Housing Tax Credit would expire.

-- IRAs for First-Time Homebuyers: Homebuyers are not currently allowed to use Individual Retirement Accounts for downpayments towards houses, without being assessed a penalty. The HOPE legislation would enable first-time homebuyers to do so.

-- Enterprise Zones: The HOPE legislation would enable HUD to provide appropriate tax incentives to Enterprise Zones. Without these incentives, the Enterprise Zone concept cannot be fully operative.

The following table summarizes the funding levels being requested and proposed for the Initiative, along with the estimated number of units which could be supported.

Funding Levels

	1991		1992		1993		3-Year Total	
	Units	Budget Resources	Units	Budget Resources	Units	Budget Resources	Units	Budget Resources
				(Dollars in Thousands)				
HOPE Grants a/								
PIH Homeownership	NA	$96,000	NA	$260,000	NA	$400,000	NA	$756,000
HUD Multifamily Homeownership	NA	72,000	NA	195,000	NA	300,000	NA	567,000
Homeownership through Nonprofit Organizations	NA	72,000	NA	195,000	NA	300,000	NA	567,000
Elderly Independence (service portion)	NA	10,000	NA	b/	NA	b/	NA	10,000
Subtotal, HOPE Grants	NA	250,000	NA	650,000	NA	1,000,000	NA	1,900,000
HOPE Funding Included in Annual Contributions								
Public Housing Homeownership Support	6,000	251,171	c/	c/	c/	c/	6,000	251,171
Elderly Independence (rental assistance)	1,500	34,050	b/	b/	b/	b/	1,500	34,050
Preservation and Resident Homeownership	12,500	411,741	9,000	316,998	10,000	345,487	31,500	1,074,226
Section 8 Moderate Rehabilitation SROs d/	1,305	49,571	1,305	54,193	1,305	56,144	3,915	159,908
Section 202(h) Rental Assistance d/	1,000	35,835	1,000	37,233	1,000	38,573	3,000	111,641
Subtotal, Annual Contributions	22,305	782,367	11,305	408,424	12,305	440,204	45,915	1,630,996
Homeless Rental Housing Assistance a/ d/	6,600	160,800	6,600	167,213	6,600	173,400	19,800	501,413
Housing Opportunity Zones e/	NA	NA	NA	NA	NA	NA	NA	NA
Operation Bootstrap e/	NA	NA	NA	NA	NA	NA	NA	NA
Tax Expenditures								
Enterprise Zones	NA	50,000	NA	160,000	NA	310,000	NA	520,000
IRAs for First-Time Homebuyer	NA	40,000	NA	60,000	NA	90,000	NA	190,000
Low-Income Housing Tax Credit	NA	97,000	NA	284,000	NA	405,000	NA	786,000
Subtotal, Tax Expenditures	NA	187,000	NA	504,000	NA	805,000	NA	1,496,000
Subtotal, Federal Expenses	28,905	1,380,167	17,905	1,729,637	18,905	2,418,604	65,715	5,528,409
Matching Funds								
HOPE Grants Match	NA	119,900	NA	325,000	NA	500,000	NA	944,900
Shelter Plus Care Homeless Match	NA	236,000	NA	243,000	NA	249,000	NA	728,000
Subtotal, Matching Funds	NA	355,900	NA	568,000	NA	749,000	NA	1,672,900
Total	28,905	1,736,067	17,905	2,297,637	18,905	3,167,604	65,715	7,201,309

a/ The 1991 Budget proposes a transfer of $340 thousand from HOPE Grants and $18 thousand from Rental Housing Assistance to Research and Technology. These amounts are not reflected above.

b/ Future year amounts depend upon the success of the initial demonstration.

c/ The Department's legislative proposal would remove the requirement for replacement units when a homeownership unit is not removed from the low-income housing stock. It is not possible to determine at this time how many units would be involved. Therefore, no figure has been included for the out-years pending future determination.

d/ Components of Shelter Plus Care program.

e/ No funding is required.

Secretary **Kemp**. John, did you want to add to that?

Mr. **Weicher**. No, we can answer for the record.

SUBCOMMITTEE ALLOCATION

Mr. **Traxler**. Let me just say, and this is an annual ritual with this subcommittee, we caution all of our agencies that we, like you, are subject to a higher authority. We are all awaiting our 302(b) allocation, and no one knows what it will be. That is sort of a crap shoot. We don't know how we are going to come out on that, and therefore we can't make commitments as to what this subcommittee is going to be doing over the next few months, what we can fund and what we can't fund.

The good news is last year the subcommittee came up with a billion and a half dollars in finders money, we should have got a fee for that, I suppose. It was a remarkable achievement.

I want to pat the staff and the committee members on the back. That is the difficulty that we were having in apportioning out the limited 302(b) allocation we got. Our pot was nowhere large enough to solve the problems of the various agencies over which we have jurisdiction, so I want to caution the agency, Mr. Secretary.

We have no knowledge as to how the numbers are going to play out this year. We do know that some of the creative financing that we used last year, we begin to think like developers or takeover artists, will not be available to us this year. As one chap from OMB said, the jig is up, Traxler, and we are on to you guys.

So it is going to be a little more difficult.

Secretary **Kemp**. You mean somebody finally caught up with you.

Mr. **Traxler**. I said your business is to drive down outlays. Our business is to adequately fund the agencies for which we have responsibility, so they understand.

Secretary **Kemp**. Do you have any guestimate as to what 302(b) will be?

FINANCIAL MANAGEMENT

Mr. **Traxler**. We can better predict what the numbers are going to be in the Michigan grand lotto than we could in that, so the answer is, no. All right. Let's turn to the Task Force on Program Financial Management, and I understand that that work is still in progress.

When do you anticipate that the plans resulting from the task force are going to be finalized and what is your best judgment as to how long it will take to implement those programs?

Mr. **DelliBovi**. None of the plans are finalized. We have, in a sense, slowed that down pending the completion of the search for the Departmental Chief Financial Officer (CFO) and a Comptroller for each of the program areas. We anticipate having the CFO and Comptrollers in place by June 1st. Their first order of business will be to review the proposed implementation plans.

If the plans meet their standards, they would then be in a position to begin the implementation by October 1st.

Secretary **Kemp**. We are very, very proud, Bob, and to the Committee, of this initiative. We really think it has applicability across the board to other agencies. There has been tremendous cooperation from the National Association, what, of Accountants? What is the formal—NAPA? No, I mean the accounts.

Mr. **DelliBovi**. The American Institute of Certified Public Accountants.

Secretary **Kemp**. Right. We really believe that bringing in this type of professionalism to our agency can be a paradigm. It could be useful other places, and I hope it is clear that we plan to make the CFO and the comptrollers in the different program areas career, not political because we want this to be institutionalized at HUD, and we think it will go a long way towards putting an end to some of those problems in both management, accounting, and auditing that have all too often caused for such a long time a gap between our knowledge base or our database and what was happening out in the Field.

So, I appreciate the understanding and the support of this committee and tell you that we think this is, among all the reforms we have made, is as important, if not the most institutionally important concrete example of our desire to see this thing taken out of subjectivity and predicated on merit and objectivity.

Mr. **Traxler**. When are you going to have the actual plans from the various groups?

Secretary **Kemp**. What is our target date?

Mr. **DelliBovi**. We had sort of a three-tiered group. The middle tier has reported. The senior report we have slowed down a bit so that we have these senior financial officials in place ready to receive reports, and the reason for that is we felt very strongly that whoever was going to be charged with implementing these fixes as proposed, these action plans, ought to have a shot at looking at them before they are—so they don't just walk in and find this is what you are supposed to do and their expertise, because they are all different.

They are all going to be CPAs. They might say this is not what we are going to be doing.

Mr. **Traxler**. At the point you have finished working on your action plans, we would appreciate copies of them.

Secretary **Kemp**. We want to take every step with you fully in mind and share information because, I will be honest, of all the things, as I said, that we are doing, we think this has the most profound long-term consequence so that when Kemp has gone from HUD some day in the distant, distant future, and all of our teeth——

Mr. **Traxler**. Nobody is biting at that.

Secretary **Kemp**. No, seriously, when I am gone, I really want to leave in place, and Al and Austin and all of us do, a far better functioning HUD, than we had when we found it, so we want to work with you. That is why we are going to make these people career rather than political. Austin, do you want to comment at all on this aspect?

Ms. **Fitts**. There is one thing. One of the most critical of those Task Force working groups focus on the Section 8 systems, and on that one we have brought in an outside contractor to take a very hard look. It is so complicated and so important that we really need some outside help, and that will delay the process a little bit.

But I think it will result in a much more productive and quality product.

Mr. Traxler. Mr. Green?

ACCOUNTING INFORMATION

Mr. Green. Obviously there are various types of accounting systems, and the one that is the most critical, I would think, is the ability to know where the cash is and what the numbers are so that the people who owe the money—can keep the money. I have always been troubled that you don't have a second type of control, which I would assume most insurance companies and other institutions do, and that is to know the profitability office by office and product by product so that you would know, for example, if one insuring office is out of line in terms of what it is insuring under the Mutual Housing Program.

Is there any prospect you will get to that point?

Ms. Fitts. That is an excellent question. One of the things we have said all along is that we will develop financial information on a program by program and Region by Region basis. A month ago, we sent out the first Regional—financial statements. They were cash estimates for the first quarter in 1990, and they were provided to the Regions.

We are not able to do financial statements for the Field Offices at this time but we will be able to provide most of the offices with data for critical program areas by the end of the year. It will be rudimentary and it will still be on a cash basis, but it will be very useful to the Field offices enabling them to figure out where their problems are and to help them out.

Our goal is to have in place as quickly as possible—on a true budget basis and or an arrival basis—statements down to the Field Office level for each program.

Mr. Green. Thank you, Mr. Chairman.

INDIAN HOUSING PIPELINE

Mr. Traxler. I want to switch, while the Secretary is here, to questions on Indian housing. I am not clear in my mind precisely what the situation is in regard to that. Help me on this, please.

My recollection is that inadvertently in the reform legislation of last year the Indian housing authorization got wiped out with the discretionary fund. Am I correct on that statement? Can somebody bring us up to speed on that?

Secretary Kemp. I want to make sure I give you the full answer on this because it has been subject to more attention than I would have preferred, but nonetheless I owe you and our colleagues in the Senate a better answer than we have had so far.

Mr. Chairman, you know the problems of backlog and pipeline, and there is a lot of units, and I need the specific answer.

Mr. Coyle. We apparently sent up a technical fix for that, it is my understanding, did we not?

Mr. Kliman. The Committee requested——

Mr. Coyle. A technical fix. That was an oversight through the Reform Act. It was not intended that there wouldn't be—an inability to spend the 1990 funds, and that we were going to try to correct that as soon as we could in the first available vehicle.

Mr. **Traxler**. We were limited in what we could do in the supplemental, and the request made by the full committee chairman not to overburden the supplemental bill in the House. There may be an opportunity for the Senate to correct the error that was made last fall.

We do need some legislation, in this area and I think everybody is committed to it.

Secretary **Kemp**. Yes, we are and you are.

Mr. **Traxler**. I think we all agree we need some legislation, the issue is find a way to do it.

Mr. **DelliBovi**. The money that was obligated can be spent down to complete the prior obligations.

PUBLIC HOUSING DECONTROL

Mr. **Traxler**. Moving on to Public Housing Decontrol Program, you suspended the Public Housing Decontrol Program, and the program had a two-year experiment to grant local public housing authorities greater operating autonomy.

The announcement to suspend the program cited abuses by some local agencies that had been exempted from the usual management reporting requirements, probably this had to do with revelations concerning housing authorities in the New Jersey area.

Secretary **Kemp**. Passaic, to be specific.

Mr. **Traxler**. What is happening with the Decontrol Program?

Mr. **DelliBovi**. It has been suspended. We continue to investigate the situations in the problem areas in New Jersey. Our task force is also moving into other areas, and we may—we probably will come up with recommendations for better monitoring, but decontrol certainly led to a lot of problems that no one anticipated.

Mr. **Traxler**. Do you think the concept itself is probably dead or what do you see in the future for decontrol?

Mr. **DelliBovi**. I would say that it is—I hate to give the verdict before the trial is complete, but I think it is a concept whose time has come and gone.

Secretary **Kemp**. Well, let me make a comment here. I have met with large PHAs and small PHAs and those in between, and having looked at the problems of performance and performance standards in the PHA community, I am convinced, Mr. Chairman, that we really need more generic standards of performance that can be applied to their local condition, the Passaic thing was an enormous and gross abuse, but there are unfortunately not similar circumstances but similar problems on perhaps a less dramatic level.

Now, I don't want to get into business of just banging on them, but we really do have a responsibility to, as Al pointed out, make sure that decontrol did not lead to those types of generic problems, and so I think the suspension was purposeful, meaningful.

It sent a very strong signal to them and, very frankly, our relationship with PHAs has improved because the Secretary and we at HUD in the Headquarters were willing to not just take Passaic, but willing to begin the type of communication and working with them to improve these performance standards, I think, it is going to have a meaningful reform of this problem.

SUPERVISION OF PHAS

Mr. **Green**. I am not sure I really understand at this point just how much supervision you do provide, not in the decontrol case but in the regular one. There was a time when all housing authority budgets were submitted to HUD for approval in advance. You wouldn't have to pay the full amount of the annual contribution because the tenant rents would cover some of the cost and you would have some left over that the Federal Government could hold on to.

When that ceased to be a reality, the department moved to the performance funding system to try to give the housing authorities a lump sum, and at that point, as I understand it, the review of the budget in advance ceased, and obviously that was a very considerable work load that was shed at that point and a very considerable staffing requirement that was reduced.

That was in the early to mid seventies. Where are we now in terms of the amount of supervision we give? Are we starting again to look at budgets?

Secretary **Kemp**. Let me take it from a general standpoint and let Al also comment. I personally, without—as Al pointed out being the judge, jury, and lord high executioner, we want to be a good partner. We realize that we have much to gain from working with them, so in that sense and in that spirit, I want to make sure that that lays the predicate for what I am going to say, which is that I think we have to increase our authority, increase the performance standard.

And while we have not made a determination about having all budgets submitted to us in advance, I am convinced that there cannot be the type of harmonious, productive, progressive relationship between you and me at the Federal level and the PHA and municipalities at the local level without getting closer.

I am going to say hold over this issue of performance standards and cooperation and goals, and so we think it may take some strengthening of the legislation, and I am not ready to commit myself to any one particular element of it, but I personally believe that we just have a huge stake in making sure that PHAs are both carrying out the intent of the law as well as working with HUD.

Operation occupancy: We are committed, Mr. Chairman, to making sure that Operating Subsidies for Public Housing are used in such a way, along with CIAP, to get those boards off and get families in as opposed to just across the board making sure that an operating subsidy goes to a vacant unit, irrespective of whether progress is being made on getting it out of the hands of the illicit trafficking in drugs or just boarded up or cemented up, so these things do require, we think, some legislation. We want to work with you on that.

Mr. **Green**. One concern I have, you understand, if you are going back that route, it does have very substantial staffing requirements, and if you don't provide the staff, it isn't going to work.

Mr. DelliBovi. I think the key thing to keep in mind is the movement towards decontrol and not looking at budgets was driven by a view that we didn't have the staff to do this or that. What we are doing in PIH, and Mr. Janis will get into that more in his testimony, is to look exactly at what we are doing.

We are doing a lot of things that have absolutely no meaning. Our reviews—The results of our reviews tell you absolutely nothing so what we are internally focusing our attention on are performance indicators, and outputs. We would like to monitor those things rather than the sort of bean counting things that were done in the past, the people in OMB who are sitting in the back won't like what I am saying.

Referring to them, but there is a lot of make work kind of activity, things that were done because they always did them that way, and we want to make the monitoring visits and the ongoing activities have meaning.

Secretary Kemp. And not to belabor the point, Bob and Bill, but there are incredible disparities between some Public Housing Authorities that operate both in big and small towns, as you know, and those in others, from Omaha, with Bob Armstrong, to Chicago with Vince Lane, with credibility to perform effectively, efficiently, compassionately and prudently, and some others that don't—all the way down to Passaic. So I must say this is a great challenge for us at HUD, and we want to do it without declaring World War III on them, but we want to make sure that there are vigorous standards over which you and I make sure that those monies are well-spent.

Mr. Traxler. There is a, I might say, Mr. Secretary, a very delicate balance here. You know, as each of the separate components or programs within the agency develops a problem, there is a natural human tendency to react and take the corrective action, and the agency appropriately has done those things.

When that occurs, the field workers in the agency, naturally get sort of a bunker mentality, and they require verification and documentation on each and every minor point from the PHAs. I don't think you can avoid this. I think it is human nature. Nobody wants it said that they failed in their task of monitoring the PHAs, but at the same time the amounts of paperwork that are being generated, especially in the modernization program is staggering.

Secretary Kemp. It is incredible.

Mr. Traxler. I don't pretend to have a solution for that. I wish you well in those areas.

Mr. DelliBovi. I might just add, Mr. Chairman, some of the people looking at this paper can't remember what problem was being cured when that paper was requested 10 or 15 years ago, and neither can we really figure out the utility.

Secretary Kemp. I don't want to belabor this point, but for your edification, Mr. Chairman, and Bill Green's and maybe the Committee staff, that would be interested, the very first thing I did was visit Richard Allen Public Housing. The first place I went in my stewardship at HUD was to Richard Allen in North Philly.

A young tenant manager by the name of Virginia Wilkes said, "Mr. Kemp, you have got to help us get the drug dealers out of

Richard Allen." I said, "Virginia, where is the PHA?" She said, "They are not here." I said, "Did they ever come?" She said, "Never." I said, "Where are the police?" She said, "They never come into Richard Allen." She said, "You get rid of the drug dealer and we can clean up our public housing community."

I came back and wrote a letter to 3,300 PHAs and said tell me what you are doing to get rid of, to cut off the enabling, the welfare payment, so to speak, to drug users in public housing. And I was told I was violating the Paperwork Reduction Act. So I told the person who called me, hold on for a minute. I have got Ted Koppel on the other phone. He wants a debate tonight on "Nightline" between you and me over what is more important, reducing paperwork or reducing crack dealing in public housing. And the guy hung up, and we went on from there.

But there is an incredible amount of bureaucracy that prevents you and me from making sure that those public housing authorities operate, and I don't want to, as I said, just to look at this all one way, but I do think we need their cooperation, and I hope to get some strengthening legislation.

Mr. **Traxler**. The 1989 Reform Act changed the allocation procedures for housing funds, and beginning October 1, of 1990, the size of the headquarters reserve will be reduced from 15 percent to 5 percent of the budget authority available for the fiscal year.

Do you plan to begin implementing any of those new allocation procedures on October 1?

Mr. **DelliBovi**. We absolutely can, and we are, as a matter of fact, and if Austin would like to answer the question, but she has provided a funding plan or is in the process of having that——

Ms. **Fitts**. The funding plan should be ready in approximately a week, but I wasn't—could you repeat the beginning of the question?

Mr. **Traxler**. My question is do you really plan to begin implementing or will you be able to implement any of the new allocation procedures prior to October 1st in the budget year?

Mr. **DelliBovi**. Absolutely.

Mr. **Traxler**. With the 1990 money.

Ms. **Fitts**. With the 1990 money. The reserve for 1990 will be slightly more than 5 percent, but not as large as 15 percent.

We are trying to implement most of the reforms this year. It is simply a matter of regulations.

Mr. **DelliBovi**. By the way, it is more than five percent approximately 5.37 percent.

Ms. **Fitts**. The key to that range was the importance of getting money to the disaster areas, which will be done by competitive grants. When we go to the disaster areas, at the beginning of the fiscal year after sequestration we need to be able to provide certificates to those areas.

Mr. **Traxler**. In addition to the Headquarters reserve or the Secretary's reserve, what other types of funding might be excluded from the fair share allocation?

Are there any others?

Ms. **Fitts**. There are two kinds that would be excluded. One is with programs where there is so little money that it cannot possibly be distributed by fair share. For example, we have an allocation of $25 million for Nehemiah, and there is literally no way that you could fair share that. If you did each recipient would only get one unit.

The other is competitive.

Mr. **DelliBovi**. A national competition. You can't fair share it down to the Regions, but we run a national competition.

Ms. **Fitts**. The other exception is to the extent we have work-out money, related to properties that are troubled. Funding is very much driven by which properties need assistance and where it makes sense to the needs of the tenants and the FHA Fund to use such funds. It is really driven by what properties apply and where they are, and that does not lend itself as much to a fair share formula.

Mr. **Traxler**. Do all demonstration projects fall within the headquarters reserve?

Ms. **Fitts**. Is there a demonstration project incentive?

Mr. **Kliman**. We have had demonstration projects within the headquarters reserve.

Mr. **Traxler**. That will be in 1991.

Mr. **Weicher**. We have had demonstration projects within PD&R. We have also had demonstration projects in other Offices.

Ms. **Fitts**. I am just trying to think, for example, with lead-based paint, that kind of demonstration project?

Mr. **Weicher**. No, it is being funded by the FHA fund, and by Public Housing modernization funds, and we are funding the research component of that. None of it is headquarters reserve.

Secretary **Kemp**. We had one demonstration project that came out of the headquarters reserve that Mrs. Boggs and others have been interested in, Operation Bootstrap, which was tied to the housing assistance voucher, etcetera, to deliver services to families and to mothers who needed day care, job training, and opportunities to kind of rebuild and reshape their lives.

So we think it has been quite successful, but that was through the headquarters reserve, a type of a demonstration project.

FUNDING PLANS

Mr. **DelliBovi**. Mr. Chairman, if I may, we used a term here that is probably new to the Committee, funding plans, new at HUD, which is a requirement we imposed on the Assistant Secretary that they develop for the Secretary a plan for each fiscal year as to when the money, when the notes are going to be put out on what kind of schedule.

We believe that is going to have two good effects. Number one, it tells us what we are going to be doing and when. It will ultimately enable us to level out the workload on our Field Offices so we don't have this rush at any point in the year. That is what Austin was referring to when she mentioned funding was a new concept at HUD.

SECTION 8 CONTRACT RENTS

Mr. **Traxler**. I appreciate that.

At this point in the record, we will submit several questions to you, Mr. Secretary, from our colleague, Mr. AuCoin, who is concerned about the payment for contract rents under the Section 8 Program where there was a federal district court judgment relating to Oregon Housing Authorities.

[The information follows:]

Repayment of Funds by HUD to the Oregon Housing Agency for Past Underpayments of Contract Rents

Question: In June 1989, the Oregon Housing Agency was awarded a judgement in Federal District Court against HUD, on the same grounds as the judgement in Rainier View, i.e., that HUD had improperly used comparability studies to calculate contract rents for Section 8 Housing. Does HUD acknowledge a duty to compensate the Oregon Housing Agency for past underpayment of contract rents?

Answer: HUD has authorized the increase in the Section 8 owners HAP contracts to pay the retroactive amount owed them as awarded under the judgement. HUD is in the process of providing the Oregon Housing Agency with the necessary budget authority so that they can execute HAP contract amendments with the owners to make the retroactive payments as well as the prospective payments that are required under the judgement.

Question: Why hasn't HUD paid that compensation to the Oregon Housing Agency? What steps is HUD taking to expedite payment?

Answer: First, the Oregon Agency had to determine the amount of budget authority needed in contract amendment funding to be provided by HUD to amend the individual Section 8 owner's HAP contracts. When this was completed, HUD began the process of providing the necessary funds. Because we were in the last quarter of the fiscal year, we lacked sufficient funds to provide the required amendment money in fiscal year 89. HUD Headquarters has provided the Portland Field Office with the required funds and they are in the process of providing this funding to the Oregon Housing Agency. When this has been completed and the owners have billed them, the Agency will make the required retoactive payments.

Question: When will payment be made?

Answer: We anticipate that payment will be made within the next 90 days.

Question: Has HUD calculated the amount of retroactive compensation owed to the Oregon Housing Agency? If so, how much is owed? If not, how and when will HUD determine the amount owed?

Answer: As stated above, the Agency isn't owed any money. It is the Section 8 owners with contracts administered by the Agency on behalf of HUD that are owed the money. What HUD must do to comply with the judgement is to provide the agency with sufficient amendment money to amend the owners HAP contracts so that they can bill the Agency and the Agency can pay the owners the retroactive payments due. This has been done.

It is the responsibility of the Oregon Housing Agency to determine what is owed the Section 8 onwers and to make the payments to them. The Agency is currently making that determination.

Question: Will HUD pay post-judgement interest to the Oregon Housing Agency?

Answer: HUD did not pay the plaintiffs, in the Rainier View decision, interest on the rebated rent payments and has no authority to do so in the Oregon decision.

Impact of Rainier View on HUD Repayment of Funds to Section 8 Project Owners

Question: Section 801 of the HUD Reform Act of 1989 requires HUD to compensate Section 8 project owners for past underpayment of contract rents. The minimum payment under Section 801 is 30 percent of what the owner would be entitled to under Rainier View. Am I correct that HUD is drafting regulations to determine the amount of compensation that project owners will receive? What is the status of those regulations, and when will a proposed rule be published?

Answer: HUD is currently preparing the regulations setting forth the procedures for making the one time contract rent determination and for calculating retroactive payments. The proposed rule has passed through Departmental clearance and has been forwarded to OMB for Executive Order Review and subsequent publication.

Question: When will project owners receive the first of the three annual installments HUD owes them under Section 801?

Answer: It is expected that owners will receive some portion of the retroactive payments in 1991, subject to appropriations. If the Department finds that the total amount of retroactive payments due does not exceed the amount appropriated for this purpose for 1991, the payments may be made in a single year rather than in separate installments.

Question: Has HUD calculated the total payments that will be made under Section 801?

Answer: HUD has not calculated the total payments which will be made under Section 801. Procedures for computing these payments will be set forth in Final Rule 2475. The exact amount will be based on information supplied by each of the Field Offices and by owners.

Question: Is so, what is that total, and how was it calculated?

Answer: The total payments have not been calculated.

Question: If not, on what basis will the Administration make its budget request under Section 801?

Answer: The Budget request under Section 801, which has been submitted for 1991, is based on information provided to HUD Headquarters in relation to the Rainier View decision. The data collected for the Field Offices covered by the ninth circuit revealed that calculating retoactive payments without subtracting debt service from the contract rent, as required by the Rainier View decision, would result in approximately $250 million in retroactive payments for those areas. Based on this figure and on the number of projects included in the calculation, the Department determined that, if payments were calculated nationwide according to the Rainier View method, $600 million would be necessary for retroactive payments. With the compromise embodied in Section 801 - calculating retroactive payments by subtracting debt service from the contract rent while guaranteeing that owners receive at least thirty percent of the retroactive payments which would have resulted using the Rainier View methodology - HUD estimated that just over one-third of the Rainier View total of $600 million, or $210 million, will be required nationwide in retroactive payments. HUD's 1991 Budget submission requests approximately one-third of this estimate, or $70 million, for Section 801 retroactive payments, with the other two thirds included in 1992 and 1993.

FEDERAL HOUSING FINANCE BOARD

Mr. **Traxler.** Turning to the Federal Housing Finance Board, there were some news articles about non-competitive contracts let by the Federal Housing Finance Board. Has there been any inquiry in-house concerning these contracts? Can you tell us what they were for and what the dollar amounts were?

Secretary **Kemp.** Let me start off, Mr. Chairman, and turn it over to Al about the actual FAR process that we want implemented not only at HUD and have done it at HUD, but I am the de jure Chair of the Federal Housing Finance Board until the new Chair is confirmed, I will just say that as soon as I found out via reports, actually, that came to me that there were, of eight contracts, three that seemed on appearance, on the surface to have been done outside of the reforms that we had set for HUD, I asked our I.G., Paul Adams, to look into it. It got blown, I think, up a little bit in importance by making it sound like there was some deep, dark investigation going on. He has done it quickly, thoroughly. He is going to have a final report to me and I assume to you and the press by next week at the latest. I cannot, in the sense divulge the final results because there are none yet, but I am assured at least by my General Counsel, Frank Keating, that the process, was different than we have used at HUD, and I have moved quickly to make sure that the Federal Housing Finance Board complies with all of the reforms that we have set for HUD.

Legally, I am told—I will let Al comment on this because he has followed it closely. I am told that because there is a difference in the function between FHFB and HUD and the monies and allocation and so forth and the legislative statute that it was not required to be done exactly the way it was set up, that we set it up in our reform, number one.

There has been great cooperation by the managing director, Mary Bush. The people who got the contracts have fully cooperated with the I.G. I don't think there is going to be anything made of it other than make sure that in the future that this is done with every conceivable I dotted and T crossed, and you have my assurance that this will never happen again.

[The information follows:]

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

April 16, 1990

MEMORANDUM FOR: Mary Bush, Managing Director
Federal Housing Finance Board

FROM: Jack Kemp, Chairman
Federal Housing Finance Board

SUBJECT: Inspector General's Report

At my request, HUD's Inspector General reviewed contracting procedures at the Federal Housing Finance Board. He pointed out the need for better management controls in the contracting process. Please implement the following recommendations immediately, and provide me with a written report of your progress on a weekly basis, beginning Friday, April 20.

1. Complete and implement written procurement policies and procedures, incorporating the use of the FAR and OTS's travel policy;
2. Require the appointment of a COTR to monitor and evaluate performance on all FHFB contracts;
3. Establish a written policy on the use and payment of outside consultants;
4. Develop and issue employee standards of conduct;
5. Complete the ratification of the McKinsey contract;
6. Assess and pursue any contractual or legal options available to either complete or recover funds applicable to Sidley and Austin review of FHFB's procurement authority;
7. Recover the $937 of contract negotiation and telecopier costs questioned on the S&A contract;

8. Obtain, analyze and appropriately utilize all products received under the S&A contract.

Thank you for your cooperation in this matter.

cc: J. Stephen Britt
Principal Deputy General Counsel

Paul Adams, Inspector General

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-4500

OFFICE OF INSPECTOR GENERAL

April 16, 1990

MEMORANDUM FOR: Jack Kemp, Secretary, S

FROM: Paul A. Adams, Inspector General, Z

SUBJECT: Federal Housing Finance Board

Per your request of March 21, 1990, we have completed our review of the Federal Housing Finance Board's (FHFB) procurement activity since its inception in August 1989. We reviewed the nature of FHFB's procurement activity, the adequacy of FHFB's procurement policies and procedures, and the propriety of sole source contractual actions with the firms of Gunn Associates, Inc. (Gunn), Sidley & Austin (S&A), and McKinsey & Company, Inc. (McKinsey). Our review was performed jointly with the Acting Inspector General for FHFB, and was assisted by HUD's Director of Procurement Policy and Evaluation.

SUMMARY

Based on advice from her General Counsel, the FHFB Managing Director exercised her authority to let the above three sole source contracts to assist her in starting FHFB as a new agency. As a new agency, FHFB had limited staffing, with little procurement experience and no procurement policies and procedures. We found that necessary and beneficial services were received on the above three contracts and that the prices ultimately agreed to were comparable to those typically received by the contractors for similiar work. However, FHFB did not follow sound procurement policies and procedures in awarding and administering the three contracts, and its loose oversight and monitoring resulted in the acceptance of some items of questionable cost, and to some contract performance deficiencies. Below, we are providing the details of our review along with 10 recommendations for your consideration in strengthening FHFB's procurement process and bringing the three subject contracts to a closure.

DETAILS

The extent of sole source advisory and assistance service (i.e. consultant) contracts authorized by the FHFB Managing Director was limited to the Gunn, S&A and McKinsey contracts. These had a combined negotiated value of $196,829. Before proceeding with these contractual actions, the Managing Director sought the advice of her General Counsel on the applicability of the Federal Acquisition Regulation (FAR) to FHFB procurements. The FAR provides uniform policies and procedures for "appropriated" funding acquisitions by all executive agencies. Although FHFB is an executive agency, it operates on "non-appropriated" funds, and therefore is technically not required to follow the FAR. The General Counsel advised the Managing Director that she had flexibility with respect to following the FAR. However, we believe non-appropriated funding activities should follow the FAR, as a matter of sound business practice, unless it has established adequate procurement policies and procedures of its own.

Prior to March 28, 1990, FHFB had neither formally adopted the use of the FAR nor developed procurement policies and procedures of its own. FHFB's initial procurement capability was limited to simple purchase order actions. An experienced Contracting Officer was not added to the FHFB staff until January 15, 1990. The S&A, Gunn, and McKinsey agreements were respectively initiated during September, November, and December of 1989.

Given the newness of the agency, its legislated program mission, and its initial lack of adequate programmatic and administrative support, the Managing Director believed she had sufficient justification to select qualified consultants, with which she had previous favorable experience, to assist her in starting agency operations.

To avoid any conflict of interest with the selected consultants, the Managing Director delegated all negotiation and administration responsibilities for these contracts to FHFB's General Counsel. However, the General Counsel, in his informal interim role as the Deputy Managing Director of FHFB, was overwhelmed with the many tasks of starting a new agency. Consequently, normally prescribed management controls were not established for these contractual actions.

In all three cases, work was authorized to proceed without the benefit of a formal contract. All three contractors made repeated efforts to formalize their contractual agreements with FHFB. However, FHFB did not submit to such negotiations until the originally envisioned work under each of the contracts was substantially complete. In the case of the Gunn and S&A contracts, a Contracting Officer's Technical Representative function was not established to provide effective monitoring of the contractors' performance.

Despite FHFB's loose control over these contractual actions, our review revealed that necessary and beneficial services were received under each of the contracts, including products and services pertaining to FHFB's strategic planning, organizational structure, administrative authorities, bank dividend policies, and affordable housing program regulations. In addition, prices ultimately agreed to were comparable to those typically received by the contractors for similar work. However, some problems, as noted below, did result from FHFB's poor administration and monitoring of the contractual actions.

1. One-fourth of S&A's effort under their contract, valued at $12,763, went towards the review of FHFB's procurement authority without resulting in a documented deliverable. This occurred because FHFB did not clearly establish its requirements at the beginning of its verbal agreement with S&A, and also because a Contracting Officer's Technical Representative function was not established to monitor S&A's actual performance.

   Although the scope of S&A's agreement called for an analysis of FHFB's procurement authority, the final ratified contract did not specifically require a delivered product on this subject. FHFB's new Contracting Officer ratified the S&A contract with insufficient knowledge of S&A's performance, which had been substantially completed prior to his involvement.

   S&A staff advised us that their task to study FHFB's procurement authority was a very complex issue which could not be completed within the original effort and funding levels discussed with FHFB. However, the magnitude of S&A's time spent on this issue, and the additional effort needed to complete the project, was not discussed in any detail between S&A and FHFB.

Since S&A billed this effort and FHFB accepted the billings as part of the contract ratification process, S&A believes it is under no legal obligation to complete the product or refund the monies received. We believe FHFB should assess any contractual or legal options which may be available to seek either a completed product deliverable or recover the amounts from S&A.

2. An additional $511 paid to S&A was related to S&A's efforts to complete the negotiation of its own contract with FHFB. Such costs of doing business are generally not allowable as direct contract costs. We attribute FHFB's original acceptance of these charges to its lack of oversight and review of S&A's performance and billings. S&A informed us that these amounts had been billed in error. FHFB should seek recovery of this amount from S&A.

3. Another $426 paid to S&A pertained to telecopy services which were either billed in error or unsupported. S&A agreed that this amount should be disallowed. FHFB should seek recovery of this amount from S&A.

4. S&A provided us with two documents produced under the contract which the Contracting Officer was unaware of. The documents consisted of advisory memorandums entitled:

   - "FHFB Proposed Director Eligibility Regulations"
   - "FHFB - Proposed Membership Regulations"

   The above products and some of the other S&A deliverables were not known to other key FHFB staff who should have been aware of their existence. On many matters, S&A directly advised the FHFB Managing Director. Although the Managing Director provided some direction to and received periodic briefings from S&A, she did not view herself as having the responsibility for monitoring and evaluating S&A's efforts. The Managing Director assumed that her General Counsel had taken care of contract administration matters, but the General Counsel had neither assumed nor assigned someone to this role.

As a result of FHFB's poor oversight, S&A's performance was not fully and properly assessed, and benefits to be derived from its services were not fully realized. All of S&A's products should be properly analyzed, and as appropriate, distributed to the applicable FHFB administrative or program staff for their information and possible use.

5. The Contracting Officer did not establish Gunn's actual lodging expenses before ratifying an allowance for lodging, which was equivalent to sixteen percent of the dollar value of the contract.

We were informed that the Office of Thrift Supervision's (OTS) travel rates were used to negotiate the per diem allowance provided in the ratified Gunn contract. The OTS policies were used for lack of FHFB's own travel policies. OTS's daily rate for Washington, DC was $165, including a $131 ceiling for "actual" lodging expense and $34 for a meals and incidental expense allowance. The OTS policies require "support" to establish the amount of the actual lodging expense. Even though the contract ratification was an after the fact situation, the FHFB Contracting Officer gave Gunn a flat per diem rate of $165 with no requirement that any support for lodging be provided.

From Gunn's perspective, the $730 total of the $165 per diem allowance and the $575 a day contract rate for services was an acceptable reduction in the $800 a day fee he had originally proposed to FHFB. Mr.Gunn informed us his normal business practice is to charge a daily fee, which includes any per diem, with a separate reimbursement of transportation expense at actual cost. We confirmed the comparability of Gunn's rates and billing methods with a previous client. We also reviewed and accepted Gunn's support for his transportation expenses, which were billed for trips between Gunn's office in Stamford, Connecticut and FHFB's offices in Washington, DC.

Although FHFB felt $800 was too high of a daily consulting fee, it had no agency policies or guidelines on consulting fees and negotiated the final amounts with him. Gunn was allowed to nearly complete his work before FHFB scheduled rate negotiations, even though Gunn had repeatedly sought an agreement on his rates during the course of his work.

We believe FHFB should establish a policy on the use and payment of outside consultants. Furthermore, FHFB should fully adopt and apply the OTS travel policies to future contracts, until such time as its own travel policies are developed.

6. FHFB's Managing Director and/or General Counsel received a total of five lunches and/or dinners of nominal value (i.e., less than $12 per meal), at the expense of S&A. We were advised that these were working sessions at the only available times these individuals could get together to discuss the work being performed under the contract. We were further advised that the meals provided by the contractor were offset by the costs of several other working dinners which were paid for by the FHFB Managing Director. (As a point of reference, the FAR does allow working lunches under certain circumstances.) We believe FHFB should develop standards of conduct to describe the types of situations where such acceptance would be prohibited.

No problems were noted on the McKinsey contract. We attribute this to the fact that McKinsey's work was started at a later point in time, December 1989, than the S&A and Gunn efforts, which respectively started in September and November. By December 1989, FHFB had a person in its Office of Administration who could effectively function as a COTR. Although McKinsey was authorized to initiate work without a formal contract, agreement had already been clearly reached on the scope of work and dollar amount for the contract. In addition, the COTR monitored McKinsey's efforts during the period of their performance.

It should be noted that FHFB has not yet signed the McKinsey contract, even though negotiations were completed and McKinsey's representative signed on March 8, 1990. Although work on the McKinsey contract is not yet complete, the agreement is for a firm fixed price of $110,000. We verified that McKinsey has already substantially exceeded this amount at their standard billing rates. FHFB should sign the contract and forward a copy to McKinsey.

Your March 23, 1990 memorandum to the FHFB Managing Director directed FHFB to follow the FAR and to require your prior approval of all FHFB procurement actions. As a result, an FHFB staff directive was issued to formally establish the use of the FAR as a matter of FHFB policy. Formal FHFB procurement policies and procedures, incorporating the FAR, are being developed.

FHFB has requested that your required approval of all FHFB procurement actions be modified to only apply to advisory and assistance service contracts (consultants) and amounts over $25,000. This will enable them to better conduct day to day business of a routine nature. We believe that this approach is reasonable.

RECOMMENDATIONS

We recommend that you direct the FHFB Managing Director to take the following actions to improve FHFB's management controls and bring the Gunn, S&A and McKinsey contracts to closure:

1. Complete and implement written procurement policies and procedures, incorporating the use of the FAR and OTS's travel policy;
2. Require the appointment of a COTR to monitor and evaluate performance on all FHFB contracts;
3. Establish a written policy on the use and payment of outside consultants;
4. Develop and issue employee standards of conduct;
5. Complete the ratification of the McKinsey contract;
6. Assess and pursue any contractual or legal options available to either complete or recover funds applicable to S&A's review of FHFB's procurement authority;
7. Recover the $937 of contract negotiation and telecopier costs questioned on the S&A contract;
8. Obtain, analyze and appropriately utilize all products received under the S&A contract.

We also recommend that your March 23, 1990 directive to the FHFB Managing Director be modified to require that only those procurement actions for proposed advisory and assistance type contracts, or contract actions over $25,000, be forwarded for your preaward approval.

Lastly, we recommend that the Managing Director provide you with evidence of the satisfactory completion of actions on each of the above recommendations pertaining to her. The above recommendations were discussed with the FHFB Managing Director and she advised that she was initiating action to implement them. Since some of these actions may take an extended period of time, you may want to require weekly status reports until all corrective actions are completed.

Should you have any questions, or require any further assistance, please contact me.

Mr. **Traxler.** Let me ask you this. At that time, was the board under the Federal Contracting Procedures Act? Were they following the same procedures as a direct federal agency would, such as HUD?

Secretary **Kemp.** The managing director believes, and very sincerely, that they did. We have asked the IG to monitor it rather than investigate, and we will get an answer next week.

Al, do you want to take a——

Mr. **Traxler.** We will get to the specifics of this case in a second, but help me with understanding the FHFB for a moment. Are they under the same contracting requirements as a federal agency such as HUD would be?

Secretary **Kemp.** They are not, except I want them to be. In other words, as the Chair, until such time as the new Chairman is both nominated and confirmed by the U.S. Senate, operating this period between the setting up of the agency and the confirmation of the Board and the Chair, I want us at FHFB to follow as tightly as possible prescribed federal contracting procedures.

Now, I want to say once again that, in my view, and I am not a lawyer, and I would like Al to comment on this, in my view, while it was different than I would have preferred, we have quickly moved to make sure that it will in the future, and I think, as the IG will, I believe, report next week, that there was nothing done in any way that violates either the spirit or the letter of the law, but it is not—it did not, Bob, meet the standards that I have set both for HUD and FHFB and, as I said before, Mary is totally cooperating, as are the people who had the contracts.

There were three contracts among 10 or maybe 11. I have been very pleased that there has been the type of cooperation that I would expect from both the IG and the people to whom the contracts were let. Al, do you want to add anything to my comments?

Mr. **Traxler.** Let me ask this question, what were the contracts for and what were the amounts?

Mr. **DelliBovi.** The three contracts that were not awarded in accordance with the Federal acquisition requirement, were one for $110,000 to a consulting group, McKenzie and Coy of Atlanta, Georgia, for the development of a strategic plan.

The second was to Marjorie Waxman, an attorney with the Sidley and Austin Law Firm for $49,000 for legal advice regarding the start-up, and the third was for $37,000 to Wendell Gunn and Associates of Stamford, Connecticut, for some consulting advice relating to the program.

Mr. Chairman, I would like to make it clear for the record that the three contacts that did not follow the FAR, as the Secretary pointed out, were not required, to obtain some notoriety, some celebrity, but we have no belief that they are illegal because of that.

Secretary **Kemp.** But we moved so that in the future it would be done in the spirit as well as the letter of our HUD reform one.

I just wanted to make sure that was not the wrong impression.

Mr. **Traxler.** Mr. Green has some questions.

ALTERNATE ALLOCATION OF HOMELESS FUNDING

Mr. **Green**. I would like to turn to the McKinney Act problems. I have always been concerned with the allocation formula used in the various McKinney Programs, and it has been a problem since the start of our subcommittee because the funding for FEMA started back in March of 1983, and I know the unreliability of the statistics as to the number of the homeless.

There is a May 1989 GAO report entitled homelessness, HUD and FEMA's progress in implementing the McKinney Act, and one of the conclusions they reach with the alternative grant allocation should be considered, noting that the CDBG formula is probably not the best for the program because it doesn't use the number of homeless or the service needs directly.

I guess we have asked you to take a look at whether other formulas couldn't be devised for these programs and I was wondering where you stand on that.

Secretary **Kemp**. Bill, let me ask my Assistant Secretary, John Weicher, to comment because we know the dilemma into which both of us have wandered.

We want to make it work better. John, do you want to make any comments about this?

Mr. **Weicher**. Yes, we are in the process within PD&R of preparing an analysis of possible alternative formulas for allocating homeless assistance, which has been mandated by the Congress previously. I suspect that we will have that by the end of the spring.

I think the point you made a few moments ago is, unfortunately, very relevant. We do not have very reliable cross sectional information on who the homeless are and how many there are, correlates with homelessness that we could use, but we are looking into that systematically.

We expect to have it by the end of the spring.

Secretary **Kemp**. Bill, could I make one point, and Bob. I would like to make one point. I want to add something to this answer because I think it is very important. On the day that the Census was being taken, I want you to know this, Bob, because I feel very strongly about this issue because, you know, you get into this debate over numbers and that is important.

I don't deny the fact that we have to take into consideration the population, and of course the demographics and the profile of that population, but I made a statement when I was in LA, in San Diego visiting some SRO facilities—one that had been rehabilitated and another that had been constructed in San Diego, and we believe that this is a part, not the total answer, but that SRO capacity is an incredible tool for helping homeless men and women, obviously single.

Could I make one point, though? The point I want to make to you, Mr. Chairman, and to the Committee and for the record, I feel very strongly and want to work with you on this. The statement that I made on the day after the Census was taken when some providers and some activists were threatening to not participate in the Census because they were afraid that the new numbers would be undercounting the population of homeless families, children, men and women, that somehow that was going to affect our determinations, either yours or mine or maybe a combination, and I made a statement in San Diego, for the record, at a press conference that we in the Bush Administration, and I knew that there was strong support in the Congress on both sides of the aisle, that we want to meet the needs of the people, not necessarily just count numbers.

While numbers are important, and I don't deny it, I want you to know, Mr. Chairman, we want that program to work predicated upon the need of the people more than just the number. While numbers count, obviously we cannot let the census numbers drive our budgetary or HUD approach to this problem, and I hope that will send some signal to both our providers as well as our activists that there is a belief in the Congress as well as in this Administration by the President that we must do what is necessary to meet the needs of the people, not just try to count how many there are in the street.

Mr. GREEN. Let me follow up on something you said about SRO's.

Secretary KEMP. Thank you for letting me get that out.

CATEGORICAL AND BLOCK GRANT APPROACHES

Mr. GREEN. I have been worried about the large number of McKinney Act programs which get a slice of money. Some of them, it seems to me, have worked well, like the Mod Rehab SRO Program, and the GAO report anecdotally had good comments on it. Other programs seem to have had a lot of trouble getting their money spent and do not seem to be as effective.

Would we do better to turn to some sort of Block Grant Program for dealing with this or do you think the present system is more effective?

Secretary KEMP. I think everybody at HUD would have maybe a little bit different slant on it, just like in Congress. I will be honest. I would be willing to consider anything that delivers a service to the people. I really think getting a better coordination at the Federal level, our interagency Memorandum of Understanding which we entered into with Lou Sullivan, breaking down some of the red tape which we have attempted to do and, I think, are making a success in doing so, in designing our shelter programs and tying it to care. The only problem I have, Bill, and CDBG has been used, as you know and pointed out earlier, the only problem I have, and I'll probably get in trouble in my own Party with this idea because we are supposed to be the block grant and revenue-sharing party, et cetera, excuse me, but I am not so sure that that is as effective.

For instance, when we got into the categorical grant program for handicapped children, education, everybody decided that we didn't want a block grant. We wanted to be categorical. I am not so sure we would ever get to the "shelter plus" goal of the President were it not for the fact that it is semi-categorical, and I don't know that you would get the same willingness in all 50 States. I don't want to beat on the States, but I am not so sure you would have the type of progressive thinking.

I don't want to sound like Washington knows best, but I think in this case what I have learned is that this "Shelter Plus Care" approach is absolutely instrumental and there lies a contradiction to my belief generally in less centralization, but I would like to say that from this Secretary's standpoint, and I don't want to put my feet in concrete on anything because I think the need is too great.

I would like to say at this point I would rather not block grant it. I would rather have more direction at the Federal level and less rigidity in the application of the program. Al, do you or John want to add anything. Maybe Weicher ought to jump in at this point, because I think the question was both philosophical and a utilitarian one.

Mr. **Weicher**. Only to say that the issue with the block grant is the issue that you raised before, what is the basis for allocating the funds, and I don't think we are in a very—apart from the philosophical issue, it is not clear to me at this point that the Congress, the administration are in a position to devise a formula which would work.

Mr. **Green**. Thank you, Mr. Chairman.

REASSESSING CENSUS DATA

Mrs. **Boggs**. Mr. Chairman, following along the idea about the census and so on, we have a situation in New Orleans where the 1980 census was a time when the state was fairly affluent and other states and cities in the rest of the country particularly in the North and Northeast were experiencing really sort of a depressed time. The entitlement grants under CDBG, of course, are based on a formula that uses census data.

The consequence is that because our economy has plummeted, between census taking——

Secretary **Kemp**. That is a good point. It didn't take into consideration——

Mrs. **Boggs**. We now have less entitlement than cities who are in similar situations to ours, and I wondered if any kind of consideration was being given to reassessing between census taking.

Mr. **Weicher**. The problem is, again, having information sufficient to revise the allocation amount for a particular place or a group of places. Of course, New Orleans, Louisiana, is by no means the only place that had that experience. There was, as you will remember, some discussion of a mid-decade census, which after being approved, was unfunded. Nothing ever materialized.

Short of that, there really is not a reliable basis. One might be able to devise a formula approach, which could update with local unemployment rates or something along that line. One would have to change the formula.

Secretary **Kemp**. That is exactly what you are suggesting, that the formula has to take into consideration not just demographics and population, but also the economic conditions that cause some of these extremities to which people are driven. This was always my problem with the old revenue-sharing program. It was based on tax effort, and population. It didn't take into consideration in revenue-sharing that sometimes you have got a third factor which, as you allude to, is the dire circumstances of a contracting economy.

We are extremely interested in this. I am, both personally—and John is, as an economist. I think it may be that we would want to add to our testimony in that regard, Mr. Chairman, and get back to work with you on any revision.

This is a good point that in our HOPE Program, we have tried to be—I was going to say fanatical. I don't want to be fanatical about anything, but I have a zealous interest, and audacious interest in this issue, Lindy, and we have designed HOPE not only predicated upon population, i.e, numbers, but on trying to mix into that formula: need, merit, and the consequence of economic contraction. Hopefully we can make some progress together as you move forward on our HOPE package.

Mrs. **Boggs**. Thank you so much.

Mr. **Traxler**. Turning to housing budget issues and let me say to the Assistant Secretary Fitts, we have your statement, and we will submit that for the record at this point in time.

[The statements of Ms. Fitts and Mr. Janis follow:]

STATEMENT OF C. AUSTIN FITTS

ASSISTANT SECRETARY FOR HOUSING/FHA COMMISSIONER

BEFORE THE SUBCOMMITTEE ON VA, HUD AND INDEPENDENT AGENCIES

THE HOUSE COMMITTEE ON APPROPRIATIONS

Mr. Chairman and Members of the Committee:

I am pleased to appear before you to discuss the 1991 Budget proposals for Housing.

As you know, much of our time has been spent implementing reform of HUD's housing programs to correct deficiencies and improve financial management and accountability. With Congress' help we have begun to implement far reaching reforms of the housing programs to ensure that assistance is provided to those truly in need.

The development of reform legislation and its subsequent enactment has resulted in competitive procedures for the allocation of assistance, a limitation on the use of discretionary funding by HUD and mechanisms for better enforcement of program compliance.

With regard to FHA, we have instituted a thorough review and revision of FHA financial and management systems and have undertaken a review of the actuarial soundness of the MMI Fund. The review of FHA programs indicated that in some cases we were taking inordinate financial risks-- far above any benefit the public might have received. As a result, mortgage insurance for land development was terminated as were investor loans. We have also proposed eliminating the coinsurance method of distributing multifamily insurance.

Concern for reform should not overshadow the Department's future goals as set forth in the 1991 Budget proposals. The 1991 Budget includes resources to improve the management and financial accountability of housing programs and meet the needs for affordable housing and homeownership for those in need. Budget authority for housing programs in 1991 is $13.9 billion and outlays total $17.1 billion. I will briefly outline the major program proposals for 1991.

FHA FUND

One of the prime mechanisms for expanding homeownership opportunities has always been, and will continue to be, the FHA Insurance programs.

The 1991 Budget reflects a credit limitation of $75 billion, a slight increase from the 1990 enacted limitation of $73.8 billion. This proposed limitation assumes more than 1.2 million mortgage insurance applications, of which approximately 1.1 million are single family applications and almost 100,000 are multifamily applications.

The Budget also includes a direct loan limitation of $151.1 million for the Temporary Mortgage Assistance Program. This program serves as an alternative to the assignment program and is expected to assist 9,300 mortgagors who are experiencing financial difficulty.

With the cessation of the coinsurance method of multifamily insurance distribution, the Department is restructuring multifamily insurance by developing a new delegated insurance processing program. This program will provide the necessary insurance for multifamily projects. Unlike coinsurance the Department will retain ultimate decision making authority for underwriting.

Regarding the potential assignment of current Section 221 (g)(4) multifamily mortgages, we are also proposing that a cash settlement, in lieu of issuing debentures, be provided by the Department as an inducement to the mortgagee not to assign the mortgages. The cash settlement would reflect the difference between the mortgage interest rate and the market rate. An estimated $157.7 million can be saved in 1991 as a result of the cash settlements.

Claims payments are expected to decrease from an estimated $7.5 billion in 1990 to $6.8 billion in 1991. This decrease is a result of the implementation of TMAP and of the cash settlement proposal as well as a significant drop in multifamily default assignments since the majority of the defaulted coinsured mortgages held by the Government National Mortgage Association will have been paid in 1990.

The homeless will also be assisted by making FHA foreclosed single and multifamily properties available for lease to the homeless assistance providers. In addition, mortgages on Single Room Occupancy projects for the homeless will be eligible for insurance under FHA.

HOPE PROGRAM

The Homeownership and Opportunity for People Everywhere (HOPE) initiative reflects a comprehensive approach to increase homeownership and affordable housing opportunities aid in ending the tragedy of homelessness problem, and create new incentives for job creation and upward mobility. Components of the HOPE initiative come under the responsibility of Housing and include: portions of the HOPE Grants, the Preservation/Homeownership program, support for Public Housing homeownership, the Elderly Independence Demonstration, Operation Bootstrap, and components of the Shelter Plus Care programs.

HOPE Grants. The proposed HOPE Grants program is a matching program funded at $240 million. The program will provide for resident homeownership in public housing, Government-held vacant and foreclosed properties, and financially distressed properties held in the FHA portfolio. Housing will administer the FHA portfolio portion of the program, which is budgeted at $72 million. Up to 15 percent of the $72 million can be used to provide technical assistance to local housing groups for capacity building of low-income residents for homeownership.

Preservation Through Homeownership. The proposed Homeownership/Prepayment program will address the impact on residents of owners prepaying their mortgages and discontinuing the low-income status of their projects. Four-hundred twelve million dollars is budgeted for the program and will be funded out of the assisted housing account. The proposed program is a three-tiered approach. Tenants would be offered the first right to purchase and convert their project to homeownership. Tenant organizations would receive the equivalent of the present value of ten years of housing assistance to use for acquisition, rehabilitation and other purposes. In those cases where tenants decide not to purchase, funding could be used to provide incentives for the owners to retain the property as low-income housing. If owners did prepay despite our efforts, the Department would provide vouchers to protect the tenants and owners will be required to pay residents moving and reallocation expenses, plus 6 months of rental assistance.

Public Housing Homeownership Support. Also included under the HOPE umbrella is $251.2 million for Vouchers and Certificates to replace and support Public Housing that is sold to tenants through homeownership efforts. The funding for this effort is provided under the assisted housing account.

Elderly Independence Demonstration. Vouchers are also proposed for an elderly independence demonstration program. Ten million dollars of service funding will be linked with housing vouchers for the elderly so that they can remain in their homes and remain independent. The housing vouchers will be funded from the assisted housing account and are budgeted at $34.1 million.

Operation Bootstrap. Operation Bootstrap has been quite successful as a demonstration program through which local communities have instituted creative programs that combine job training and other services with housing subsidies. We are proposing to require that PHAs and local governments, starting in 1991, begin an Operation Bootstrap program before they can receive incremental vouchers or certificates.

Shelter Plus Care. The Shelter Plus Care component of the HOPE Initiative will be discussed in detail by Assistant Secretary Kondratus. The Housing component includes the Moderate Rehabilitation Single Room Occupancy program for the homeless estimated at $49.6 million with matching funding provided by state and local governments for support services. Also included under Housing is the Section 202(h) leased housing program for the handicapped mentally ill homeless which is budgeted at $35.8 million to be matched with funding for support services.

ASSISTED HOUSING

The 1991 Budget reflects our desire to expand rental housing opportunities by proposing over 99,000 Section 8 unit reservations supported by $13.4 billion of budget authority. Over 82,000 are incremental--additional--unit reservations.

The proposed program level includes new programs and changes to current programs. Under the Section 8/202 program for the elderly and the Section 202(h) program for the handicapped, the Department is proposing a leased housing component which will accelerate the provision of housing by utilizing the existing housing stock.

In addition to the Homeownership/Prepayment program under the HOPE Initiative, the Department is proposing as a Homesteading program for the disposition of HUD-owned multifamily properties. Three-hundred twenty-nine million dollars of Section 8 assistance would be provided to help tenant groups acquire the properties. This assistance could be used for "regular" property disposition if tenant groups decide not to acquire the property. This program protects the tenants and provides the Department with the flexibility to dispose of properties on a case-by-case basis.

One of the major Departmental and Congressional concerns regarding assisted housing is the renewal of expiring contracts. For fiscal year 1991 we estimate that $7.7 billion of budget authority will be needed to fund over 294,000 unit expirations. The estimate includes units that are due to expire in October and November of fiscal year 1992. This advance funding is necessary to ensure that assistance will not be interrupted. This is also consistent with the assumptions approved by Congress in the 1990 Appropriations Act.

The accuracy of these expiration estimates has been a concern to many. We have taken significant steps, to extract all available data from current automated accounting systems. In addition, the assisted housing accounting systems are now being reviewed by an independent contractor to determine, among other things, how best an automated system can be designed to facilitate budget estimation and contract expiration data.

Through the contract renewal effort, the Department can ensure that assistance to the inventory of assisted housing units will be maintained. The amendment of current contracts also serves to maintain the current subsidized housing inventory and is budgeted at $2.0 billion in 1991. This includes $70 million to comply with the "Rainier View" provisions of the Reform Act.

Total units in the subsidized housing inventory are estimated at 4.5 million in 1991, an increase of over 200,000 units from the 1989 unit level. The Department estimates that $15.1 billion will be disbursed in 1991 to support the subsidized housing inventory.

SECTION 202

The Budget proposes a loan limitation of $282.5 million for 1991 to support an estimated 3,097 units of new construction for the elderly and 870 units for the handicapped. An additional 3,000 units are designated for the elderly or handicapped under a leased housing component funded under the assisted housing account. The leased units can more quickly address the housing needs of these two groups.

We have also taken steps to accelerate the construction of projects in the pipeline by allowing the use of 1987 or 1988 FMRs, depending on when construction takes place, and granting waivers to allow negotiated contracts and use of the optional interest rate.

SALARIES AND EXPENSES

The Budget includes funding to support 7,035.2 staff-years for Housing programs which is an increase of 459.5 staff-years over 1990. This increase is due to a projected proportionate increase in work needed to be performed by field office staff.

Mr. Chairman, that concludes my summary of our budget proposals. I will be pleased to answer any questions that you or other members of the committee may have.

STATEMENT OF MICHAEL B. JANIS

GENERAL DEPUTY ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING

BEFORE THE

SUBCOMMITTEE ON VA, HUD AND INDEPENDENT AGENCIES

THE HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 1990

Mr. Chairman and Members of the Committee:

I am pleased to appear before this Committee for the first time to discuss the 1991 Budget proposals for Public and Indian Housing.

For 1991, the Budget for Public and Indian Housing requests funds: to maintain decent, safe, and sanitary Public and Indian Housing dwellings and provide for management improvements of those dwellings, to enable more residents to manage their dwellings or own their homes, and to continue toward the goal of assuring that Public and Indian Housing becomes drug-free.

By the end of fiscal year 1990, the Department will have made nearly 100 grants to provide training and technical assistance to resident organizations across the country. Once empowered with basic community organization and management skills, these resident groups and their Public Housing Agency (PHA) partners will play a vital role in addressing the critical maintenance and management problems; provide new employment opportunities for Public Housing residents; and galvanize grassroots support for the Department's drug intervention campaign. We also are seeking to develop a comprehensive framework linking resident management with day care and other supportive services programs. On this foundation of acquired management expertise and sweat equity, these resident organizations will play a major role in aiding the Department and local housing officials in designing homeownership and housing preservation programs to expand our continuing commitment to opportunity for lower-income people.

In addition, the Budget for Housing programs includes $250 million for "Homeownership and Opportunity for People Everywhere" (HOPE) grants. Of this amount, nearly $96 million would be allocated to Public and Indian Housing to assist residents of Public Housing to obtain homeownership. Also, 6,000 Section 8 vouchers and certificates would be designated to meet the needs for post-sale subsidy, transitional assistance, and replacement housing under the terms of the proposed legislation for HOPE at a cost of $251 million.

The provision of funds for HOPE would be a first step in meeting the increased interest in Public Housing Homeownership by residents, local Public Housing Agencies, and non-profit sponsors. Furthermore, both the General Accounting Office and the Department's Inspector General have noted that while the sale of Public Housing to Resident Management Corporations was authorized by Section 123 of the Housing and Community Development Act of 1987, specific funding has not been provided. The Budget proposals for the HOPE program would provide the financial resources to meet that growing desire for public homeownership without loss of available and affordable housing for low-income families.

I will now summarize the major proposals included in the Budget for Public and Indian Housing programs.

MODERNIZATION

The Budget includes $1.85 billion for 1991 to continue necessary modernization of existing and viable Public and Indian Housing projects and to improve their management. Included in this amount is $5 million which will enable approximately 70 additional grants to be provided to resident organizations for training and technical assistance. The funds for modernization activities will be used to correct physical and management deficiencies in existing housing to achieve operating efficiency and economy in order to meet the housing needs of lower-income people and protect the enormous public investment that has been made. Furthermore, because the objectives of this program are so different from the housing development and rental assistance activities included in the "Annual Contributions" appropriation, the Budget again proposes that funds for Modernization be provided in a separate appropriation starting in 1991.

Also, the Budget again proposes a limited matching fund component of $150 million in 1991 which would provide modernization funds to PHAs selected by States that are willing to provide equal funding.

The Housing and Community Development Act of 1987 simplified the Modernization program and gives PHAs and Indian Housing Authorities (IHAs) greater control in planning their modernization activities and using the funds in future years. Before the new legislation can be implemented, Congress must approve the method of allocating the modernization funds to local agencies. The Department is developing recommendations for alternative allocation methods which will be provided to the Congress. Following approval of an allocation formula, modernization is planned to be funded and managed under the Comprehensive Grant Program for all medium and large PHAs and IHAs and under the revised Comprehensive Improvement Assistance Program for smaller PHAs and IHAs.

OPERATING SUBSIDIES

To support the operation of dwellings owned by PHAs and IHAs, we are requesting an appropriation of $1.83 billion for operating subsidies in 1991, an increase of $10.5 million over the 1990 funding level. Our estimate is based primarily on the use of the Performance Funding System formula for calculating operating subsidy requirements.

The 1991 estimate reflects additional funding required by provisions in the HCD Act of 1987 for the cost of insurance, the formal Allowable Expense Level Review and incentives for PHAs/IHAs to pursue energy cost savings. The estimate for 1991 also anticipates decreased operating subsidy requirements based on an improved program of tenant income recertification and verification authorized by the HCD Act of 1987. This is expected to result in increased rental income collections, savings related to vacancies, a revised Allowable Expense Level and counting energy assistance grants as income.

The level of funding also assumes that 9,174 additional PHA- and IHA-owned units will be completed and become available for occupancy in 1991 while an estimated 6,200 units will be withdrawn from the available inventory due to their physical condition, location or other factors, or because they will be converted to homeownership. The Budget for Housing programs provides for replacement/relocation housing assistance in such instances.

DEVELOPMENT

The Budget requests no funding for additional Public Housing or Indian Housing units in 1991. However, the Budget does include $57 million in 1991 to amend existing contracts in order to complete viable Public Housing and Indian Housing projects still under development. This assistance will allow for cost increases that have occurred since the time of fund reservations, correction of design and construction deficiencies, and the provision of Indian Housing off-site water and sewer facilities where necessary.

Viable Public Housing and Indian Housing units are continuing to be processed through the pipelines. We currently estimate that 6,800 Public Housing units and 2,374 Indian Housing units will be completed in 1991 and placed under management. These estimated completions will result from approximately 29,000 Public Housing units and nearly 8,500 Indian Housing units that are expected to be in various stages of development at the beginning of 1991.

DRUG PREVENTION AND CONTROL

We also are requesting a separate appropriation of $150 million to fund drug prevention and control activities in 1991. In addition, we are considering legislation to authorize the use of approximately $25 million of that amount for Assisted Housing and the balance for Public and Indian Housing. In 1990, this funding was provided under the "Operating Subsidies" and "Annual Contributions" appropriations. The Budget proposes that funds for drug prevention and control be consolidated in one separate appropriation in 1991.

The purpose of this program is to prevent and rid Public, Indian, and Assisted Housing of drugs and drug-related crime. Although the funding will be used primarily to provide a single source of funds for Public, Indian and Assisted Housing in order to develop and implement various support activities in conjunction with resident management groups and resident councils, funding also will be used to provide technical assistance and training to PHAs, IHAs, resident organizations and others. In addition, funds will be used to continue to operate the Drug Information Clearinghouse that is available to anyone wishing information.

SALARIES AND EXPENSES

The Department's Salaries and Expenses appropriation request for 1991 includes $64.8 million for the administrative costs of the Public and Indian Housing programs. This includes funds for 1,367 staff-years to conduct and monitor the Public Housing and Indian Housing programs in 1991.

Mr. Chairman, this concludes my summary of our budget proposals. I will be happy to answer any questions that you or other members of the Committee may have regarding the Public and Indian Housing budget request or programs.

COMPARISON OF 1990 AND 1991 BUDGET

Mr. **Traxler**. Turning to annual contributions for assisted housing on page D–1, it is difficult to compare your 1991 request to the 1990 appropriations because of the different assumptions of what is in the account.

The 1990 appropriation includes funding for public housing modernization. The 1991 request is for a separate account for this activity. Separate appropriation accounts were provided in 1990 for the section 8 renewal and the single-room occupancy programs. Your 1991 requests for these two programs is included in the annual contributions account.

The Nehemiah and the drug programs are also treated differently. On a comparable basis, your 1991 request for annual contributions is about $200 million below the 1990 appropriation, is that a correct assessment?

Secretary **Kemp**. Your basis, your predicate is comparable basis, and if on that basis amounts for 1990 and 1991 are adjusted to include modernization and excluded the renewals and SRO, as you put it, there is, as you said, about a $200 million decrease in so-called subsidized housing accounts.

This does, as you know, Mr. Chairman, reflect zero in the public housing new construction among the changes. Al DelliBovi or Kliman, do you want to take that a step further on the question?

Mr. **Kliman**. There are several offsetting increases and decreases in there, but you stated it correctly. It is a net decrease of about $200 million in that account, and it is because of public housing changes and otherwise moving from 10 or 15-year terms down to five-year terms in the budget proposal.

ELDERLY INDEPENDENCE DEMONSTRATION PROGRAM

Mr. **Traxler**. Turning to page D–5, you mention the Elderly Independence Demonstration Program. You are requesting $34,050,000 for 1,500 vouchers under this program. We are told that the vouchers will be used in conjunction with $10 million, included within the funding proposed for the HOPE Grants Program for supporting services and will test whether housing vouchers together with services can be a cost-effective tool in helping very low income elderly to continue to live in their homes.

We note that you are proposing to help the elderly with this service program, but you are not requesting any funds for congregate services for the seniors in public housing and Section 202 projects. How do you explain that?

CONGREGATE SERVICES

Secretary **Kemp**. Oh, I am sorry. We folded Congregate Services, as I said to the Committee yesterday, into this whole elderly independence area under HOPE, not to get credit for a new program.

I am very willing to recognize the tremendous interest that Congress has had in Congregate Services, Congregate Senior Citizen Services Program. HOPE builds on the concept of Congregate Services by providing $10 million for a demonstration program for services for what we call independent living.

I must admit, Mr. Chairman, I just tried to find some words that were more inclusive. It is more funding than congregate has had in the past. Just like the families who are being assisted by public housing, given the nature of our reforms, we are getting 82,000 new units, incremental units, families being assisted by these subsidies, so this is exactly a good point that I would have made previously. We think by reorganizing it we can get more money, more assistance to both seniors and to families by restraining these programs at less cost to the overall budget, not only the taxpayer.

Unless you have any objection, I would like to leave my very able senior staff here.

Mr. **Traxler**. Carry our best wishes to our colleagues in the Senate.

Secretary **Kemp**. Thanks.

Mr. **Traxler**. We appreciate ~~it. We~~ will visit with you again.

According to the legend, local housing authorities will be required to pay 50 percent of the costs of these services and your looking for the matching funds to come from the States. What time frame do you think the States would need to make the 50 percent matching grants available?

Are we looking at one year or two years or what do you think it will take?

Ms. **Fitts**. You are speaking about the HOPE grants?

Mr. **Traxler**. Yes.

Ms. **Fitts**. As you know, we did Operation Bootstrap and required local grants and were able last year to achieve local grants on all of those. If HOPE and the HOPE grants pass this year, regulations go into effect. The States should have at least six months or so to come up with those grants, and given the size of those grants and our feedback from the States, we don't anticipate any problem in the first funding rounds.

Mr. **Traxler**. How many dollars are we talking about in that 50 percent match?

Ms. **Fitts**. In the first year——

Mr. **Kliman**. It is on the funding table. We are talking of a HOPE grant match of a little under $120 million.

Mr. **Traxler**. I don't know what cycle most States are on. Let's take my State for an illustration. The Governor submits a budget in January, and the legislature completes its activities and the work on that by mid July. His January budget might or might not include a request for this.

Now, he can make a supplemental request of them to include it in that budget, but I am just not sure everything is going to work quite right. The years are not going to mesh quite that nicely.

Mr. **DelliBovi**. One of the things to remember, Mr. Chairman, these grants can be matched by non-profit sources. There is a variety of sources that can be put together in this mix. Obviously, the quicker the Congress gives a signal that HOPE will be enacted, the quicker the States will be able to prepare for it, but we are fairly confident that the funds will not languish.

Ms. **Fitts**. We have spent a fair amount of time talking to the States, and we appreciate the fact that this will require a new effort on their part within their own appropriation mechanisms.

One of the reasons that we have agreed to do an in-kind match is that we recognize the difficulties of the appropriation process. At the same time, many of these types of programs work far more efficiently if they are in real partnerships with local partners, whether they are public agencies or nonprofits.

I think ultimately we are not looking to move all of our funding this way, but over time incrementally, we need to do that.

Mrs. **Boggs**. Mr. Chairman, we have a couple of showcase programs in New Orleans that bear this out.

SECTION 8 MODERATE REHABILITATION PROGRAM

Mr. **Traxler**. Turning to page D-8, we are looking at the Section 8 Moderate Rehabilitation Program. We note that the committee has approved the use of 70 percent of the approximately $240 million available in this program for disaster relief in support of the victims of Hurricane Hugo and the California earthquake.

Have those funds actually been released to the local HUD offices?

Ms. **Fitts**. The NOFA is being prepared, and we hope that that NOFA will be ready to go out by the end of this month. Even though that money is targeted and only eligible to those areas, it will still be allocated by competitive round. It will not simply be disbursed to the field offices. Once the NOFA is ready, hopefully at the end of April, we can proceed with the competitive round for those areas.

Mr. **Traxler**. Are you in a position at this point to submit for the record a table indicating the amount of the funds and the estimated number of units that will go to each area?

Ms. **Fitts**. Before answering that question, let me introduce my extremely able deputy for multi-family housing who is sitting at the end of the table, Jim Logue.

Mr. **Traxler**. Jim, can you have for the record a table at this point in time, if you know.

Mr. **Logue**. Yes.

[The information follows:]

MODERATE REHABILITATION ALLOCATION

The following table provides the number of units and the amount of budget authority by Field Office of the allocation for disaster assistance:

Field office	Units	Budget authority
San Francisco	747	$129,686,205
Columbia, SC	393	33,130,095
Caribbean [1]	44	5,900,700
Total	1,184	168,717,000

[1] For Virgin Islands only.

Mr. **Traxler**. The House version of the 1990 supplemental appropriations bill transferred the remaining 30 percent of the Section 8 mod rehab to public housing operating subsidies. Of course, that can be changed in the Senate, but what has happened with the revised regulations for the regular program? How are we doing on that?

Ms. Fitts. We are not going forward with revised regulations on the program. We are assuming that there will be no program. As you know, there is no proposal for new mod rehab allocation in the 1991 Budget.

Mr. Green. Let me ask this. Are you then assuming that the Rental Rehab Program is going to pick up in this area? What is the Department's assumption?

Ms. Fitts. What I am assuming is that the 70 percent will be allocated for the disaster areas. Thirty percent will go for the public housing assistance. Obviously, that could be changed in the Senate. We are presuming there will not be a program in 1991. Let me just add that we are in the process currently of writing 71 new regulations in Housing, and we would hate to have to write another regulation for a program.

Mr. Green. I think we are talking now about the philosophy of the program, and I guess Congress adopted this program in the late seventies—I was on the Housing Subcommittee at the time—because of its feeling that there was a lot of housing stock around the country where with an investment much less than new construction and gut rehabilitation, you could bring the deteriorated housing up to snuff, make an investment in it that could extend its useful life very considerably, and provide housing for the lower to moderate income households.

Has the Department reached a conclusion that that is a wrong premise?

Ms. Fitts. Let me back up and say the Department hasn't necessarily reached a conclusion that that is a wrong premise, but if you look through both the 1991 Budget and if you look at our HOPE proposal, what you will see is that we presume that, for a variety of reasons, whether it is the preservation of the assisted portfolio, or the increased defaults in the insured portfolio, that there is a momentous task. This is not only in the 1991 Budget, but in future budgets of dealing with what I call the accounts payable in multifamily. Our incremental dollars are very, very much needed to deal with the rehab and the preservation of that stock.

One of the things that we have often said is that the fastest way to increase the amount of low-income stock is to preserve what we have, and there is a real recognition, with those two portfolios that we will need tremendous commitment to do this well. They ought to have primary crack, if you will, at the budget in the next several years.

Mr. Green. This is essentially an OMB imposed decision?

Ms. Fitts. No, I think this is an administrative decision and a recognition of really how much money we are going to need to do those things.

Mr. DelliBovi. If I may interject, Mr. Green, it is a known fact that the Mod Rehab Program became a lot more than it was intended. It was a substantial rehab program and a scandalous one at that. However, the HOPE initiative also includes funds that could be used for rehabilitation and to do the same kind of thing.

Certainly the Rental Rehab Program, although it is a smaller program, continues to be available for what was originally intended as moderate rehabilitation. The problem we encountered with that program was not an OMB problem. The problem was it became a honey pot, and it was financing some very expensive, nearly extravagant renovations.

Mr. **Green**. You are certainly right that the annual subsidy cost of the program was going up very substantially, whereas it had originally been about 50 percent of the new construction/substantial rehab, I guess it was close to 75, 80 percent at the end.

I guess from my perspective, I saw that as occurring because the Congress had killed the Section 8 Rehab Program and in a sense the pressures to have substantial rehab were forcing the other program to fill that gap. But I would really wonder whether looking at the country's housing stock as a whole, the original premise might not——

Mr. **DelliBovi**. That is why we have included it in HOPE.

Mr. **Traxler**. Of course, HOPE is yet to be decided. We don't know at what time we are going to mark up, it is reasonable to say we are not going to have authorizing legislation that we can hang appropriations on.

The housing bill of 1990 is yet to be determined, so we have to deal with the programs that are available to us under the old act.

RENTAL REHABILITATION

Mr. **DelliBovi**. I would offer the budget clearly shows by asking for nothing for Moderate Rehab and asking for funds for Rental Rehab that if we had to choose between one or the other, that we should choose rental rehab as the preferable program.

We get more bang from the buck out of that program in community after community around the country.

Mr. **Green**. Everybody has a parochial problem about rental rehab. My city, as you know, is having a terrible time with that. There was a report on the Rental Rehab Program that you issued in September of last year. Obviously, I had noted with some chagrin that the report showed that only 31 percent of the projects allocated to New York City had been completed, and there was a statement that this slow rate of completion is due to circumstances unique to the grantee.

Now, maybe we will have to wait until we get to CPD to——

Mr. **DelliBovi**. I can answer that very quickly. The City of New York made a decision to use the Rental Rehab program to solve its ground problem, which, as you know, is a huge problem in New York City, but the Rental Rehab Program requires that the payments be made after the title is transferred to someone who is in the private sector, and the way the City operates its in rem program, it takes nearly forever to transfer the title. And so they are not able to meet the requirements of the Rental Rehab Program, which they decided to use in that way.

There are many neighborhoods in the City of New York, I might add: Queens, Bronx, and Brooklyn, and even in parts of Manhattan, that could qualify. I have written a letter to the speaker of the City Council, as a matter of fact, outlining that and those potential neighborhoods, as well as to interested council members. And we have sent a copy now to the HPD Commissioner as well.

There is clearly a need in New York City, in my judgment, and you can pursue this with the Assistant Secretary of Community

Planning and Development. She shares with you New York City chose not to use that program the way every other city in America did for what it was intended.

They used it for its in rem properties. The program wasn't designed for those properties. It doesn't work for those properties, and the fact that they can't draw down the money just validates that problem.

Mr. **Green**. One of the problems seems to be that the Department is resisting nonprofit ownership as profit ownership.

Mr. **DelliBovi**. I am not aware of that. You will have to pursue that with them.

PRESERVATION

Ms. **Fitts**. Mr. Chairman, if I might just add another thing. You said that you might not know where the HOPE proposal is. We do know whatever happens with the HOPE proposal that the so-called moratorium, if you will, on preservation is only temporary, and whatever happens, we will need substantial funding to deal with the plans of action, whatever the new roll-overs may be, and I would submit to you that I would hate to see that funding go into a new Mod Rehab Program, and instead be available for things like that because that will provide low-income housing or save stock in low-income housing much more rapidly than any new construction program.

Mr. **Traxler** I was having a little problem. First, I have got a hearing problem, but that is generic to chairmen around here. You get in this chair and your right ear goes deaf.

However, would you elaborate a bit on that for us, please? I didn't understand it.

Ms. **Fitts**. The H.R. 1 reform bill extended temporary provisions, which slow down the prepayment of many of the eligible mortgages. The prepayment of the mortgages could result in use restrictions being eliminated for our assisted housing portfolio that was originally designed and built in the sixties and early seventies. That is the so-called preservation prepayment issue.

The provisions in H.R. 1 come off sometime before the end of this year, and we are facing, no matter what happens, a serious need for funding to deal with preserving of stock in the low-income housing category, and I would submit to you, this is back on the question of mod-rehab, that budget authority used to negotiate plans of action under that program will preserve far more low-income housing far faster than a new construction program.

Even while I recognize that HOPE may not be available ready to be funded, certainly preservation will be no matter what, so I would encourage you to consider that there are tremendous opportunities to use that money for low-income tenants very well, and that is one of them.

Mr. **Traxler**. That would be one of your priorities?

Ms. **Fitts**. Without question.

Mr. **Green**. Does the current legislation give you authority to do that?

Ms. **Fitts**. The current legislation enables us to do some limited plans of action, but it is so restrictive on many of the owners that it has been termed by some informally to be a so-called moratorium, but if those restrictions come off before the end of the year, then many of those owners are free to prepay.

My presumption is that the Authorizing Committees will want to take some action, but we will continue to need money to deal with those. Jim, do you want to add anything to that?

Mr. **Green**. I guess the problem that we are facing is that we will be marking up within a couple months, I assume.

Mr. **Traxler**. We hope.

Mr. **Green**. And we have got to do something, I guess, yet the situation with respect to the authorizing legislation is likely to be fairly inchoate at that point.

Ms. **Fitts**. We have plans of action coming in now, so we can——

Mr. **Green**. You will have some feel for how much money you can gross that way?

Mr. **Logue**. That is incorporated within the HOPE Program. It will deal with preservation.

Ms. **Fitts**. But they are saying if the current language remains——

Mr. **Green**. For the record, if you could provide us with what could be done under the present language and what kind of money that would take, that would be very helpful.

Ms. **Fitts**. Okay.

[The information follows:]

PRESERVATION OF THE LOW-INCOME HOUSING STOCK

In addition to certain limitation on mortgage prepayment, Title II of the Housing and Community Development Act of 1987 identifies a number of incentives available for the preservation of the low-income housing inventory. These range from equity take-outs and rent increases to Flexible Subsidy loans and project-based rental assistance under Section 8 loan management program.

If the current preservation language is extended from September 30, 1990 to September 30, 1991, it is estimated that 136 owners (representing 21,017 units) would file notices of intent to prepay their mortgages. This estimate is based on the ration of actual letters of intent to the universe of eligible projects (817 projects) as of April 15, 1990.

Based on the relationship between the number of actual Section 8 loan management (LMSA) units funded through April 15, 1990 and the number of units eligible for prepayment as of that date, it is further estimated that budget authority of $268.5 million would be needed for 7,986 of these units.

A total of 2,971 units—representing $71.1 million in budget authority has been allocated for 1990 preservation requirements. This could mean a 1990 shortfall of 5,015 units and $197.4 million of budget authority.

If the same type of pipeline is applied to 1991 requirements, funding would be needed for another 3,634 units at a cost of $122.2 million in budget authority. Adding the 1990 shortfall to the 1991 needs would result in a total requirement of 8,649 and $319.6 million of budget authority for 1991.

Under the Flexible Subsidy loan fund, if the preservation language is extended for a year, it is estimated that additional need would amount to $45 million for 33 additional applications. This estimate includes $20 million for 15 projects under the regular program, and $25 million for 18 projects under the capital improvement program. These estimates are based on requests on hand as of April 15, 1990.

Mr. **Traxler**. We have to live with the law, as you do, of course, and we can't appropriate, as you well know, for programs that have not been authorized. We would be called to task for that, so we need to know precisely what you would recommend to us within the existing statutes.

Ms. **Fitts**. Absolutely.

Mr. **Traxler**. We will make these decisions at a later time.

Ms. **Fitts**. We will be delighted to help.

OPERATION BOOTSTRAP

Mr. **Traxler**. In other words, we want it clearly spelled out as to what all our options are in the event there is no authorization for the programs available. Turning to page D-9, we are talking about Operation Bootstrap. Operation Bootstrap requires that local housing authorities and their local governments demonstrate that welfare families and families with very low incomes will have access to a comprehensive program of services.

In 1991 the Department proposes to require that PHA's and local governments help supply such services. The question is what happens if they don't have the funds to participate. Will the community be penalized by receiving fewer vouchers and certificates or what occurs at that point?

Ms. **Fitts**. Last year we took 3,000 certificates and did what you might call a demonstration project, where we required a match of services, the idea being that we wanted to use our incremental funding—a tenant-based funding—to help fashion projects that would help the recipients achieve self-sufficiency.

As you may know, this in fact was designed by the Secretary where he found that much of our tenant-based assistance was not properly packaged and recipients didn't have what they needed, whether it be day care or training or whatever, which obviously we at HUD are not in a position to do or provide, but which they really need to make these programs, I think, more meaningful for them.

What we are proposing to do, though, is to require that the PHAs have that kind of program—not that every certificate be matched by dollars—and so theoretically I could say the answer to your question might be yes, if they could do nothing.

It is hard for me to imagine a PHA that could not begin to try to do something like these things or would not want to do something like these things, but it doesn't require that every certificate be matched in kind the way the demonstration program did.

Jim, do you know the number of proposals we have? I will tell you, Mr. Chairman, that the amount of proposals we had for those certificates were quite extraordinary relative to the 3,000.

Mr. Chairman, Jim just informed me that we had ten times the demand for the units that we had, so we had ten requests and willingness to match for every unit that we had, so we are very confident that the demand exists for such a program.

Mr. **Traxler**. Can you use the Secretary's reserve for Operation Bootstrap in 1991?

Ms. **Fitts**. Essentially what we can use the reserve for in 1991 is disaster relief, desegregation and litigation, and I can't imagine how Bootstrap could fit into that.

Mr. **DelliBovi**. It is very important, Mr. Chairman, to keep in mind the Secretary's very eloquent remarks yesterday about the total approach to people's housing needs, and that what Bootstrap is attempting to do, to mainstream that approach.

We wouldn't want to just do that with a discretionary fund were we to have one, which we do not. If you look at those five allowable categories, there is no way to include Bootstrap.

Mr. **Traxler**. I assume what you are going to be doing, then, as one means of financing Bootstrap, would be using some fair share allocation process in 1991.

Ms. **Fitts**. Let me get Jim to help me on this. The theory is to use fair share to allocate vouchers and certificates as much as possible, but then the competition after the fair share is designed to run the Bootstrap.

Again, it is very important to understand we are not in any way trying to avoid or impair any community, or get around fair share. What we are very concerned about is to avoid the use of vouchers and certificates in a manner where the recipients literally "win" a subsidy as if they are in a lotto and not part of a program that gives them the package that they need to get out of welfare.

We don't want to just keep putting the money out and let the limited number of people get on it—and get on it as if on a lotto—and stay on it. We want a fair share philosophy, but we want a philosophy if the money is prudently spent enough people get a crack at getting up and out of the program so that others can also have their chance.

ABT STUDY

Mr. **Traxler**. In last year's committee report, we urged the department to implement changes through legislation and/or administrative regulation that combined the best features of the Section 8 voucher and the Section 8 certificate programs. We thought that was possible since the cost of these two programs are virtually the same. The justification on page D–15 tells us that a comprehensive rewrite of the regulations will occur once the ABT study is completed.

When do you anticipate that will be done?

Ms. **Fitts**. That is being overseen by PD&R, John Weicher. He has left the room.

Mr. **Logue**. We did receive an initial presentation on the initial findings of the report. I don't know exactly what the schedule is as it is being handled by PD&R, but the final report should be fairly soon.

Mr. **DelliBovi**. When that final report is drafted, the housing staff, working with the General Counsel, will be required to then rewrite the regulations for publication and enactment.

Mr. **Traxler**. How long will that take?

Mr. **DelliBovi**. We are estimating now——

Mr. **Traxler**. Why are you laughing, Al?

Mr. **DelliBovi**. We have a tremendous number of regulations in the regulation rewrite pipeline. We are estimating now that under the most optimistic scenario it will take us 10 months to clear out the pipeline. This one would probably be highly controversial and generate a lot of comments, so——

SECTION 8/202

Mr. **Traxler**. Yet to be determined.

Approximately $194 million of Section 8/202 funds in the annual contributions account were carried forward from 1989. This was primarily due to the fact that there was more rental subsidy money for new reservations than corresponding loan authority.

How much Section 8/202 budget authority do you estimate will be unused and available in the annual contributions account at the end of fiscal year 1990?

Ms. **Fitts**. I don't have a number on that. Do you, Jim?

Mr. **Logue**. No.

Mr. **Kliman**. Based on the last conversation I had with the 202 program people, they estimate that $100 million of Section 8/202 budget authority will be unused at the end of the year.

PHA FEES

Mr. **Traxler**. The department proposes to reimburse ongoing PHA administrative expenses for both certificates and housing vouchers at 7.65 percent of the fair market rent in 1991. Recent research on the certificate and housing voucher programs indicates that large urban PHA's are generally over-reimbursed under the existing administrative fee system. However, these results don't necessarily apply to smaller urban or even rural PHA's.

For the incremental units in 1989 and 1990, we provide an 8.2 percent administrative fee. Should HUD make a proposal to address the differences in the costs of administering the certificate and the housing voucher programs instead of proposing to reduce the administrative fee to 7.6 percent for all housing authorities?

Ms. **Fitts**. Well, the 7.65 percent was a compromise between—I know the 1987 Act provided for the 8.2 percent, but we were currently reimbursing 6.5 percent for vouchers, and what we wanted to do was equalize the fees on both, and we felt that was a good compromise, that the 8.2 percent, in fact, is a little much, and also if you left the 6.5 percent on vouchers and made the certificates much higher, there would really be an inequality.

So we were hoping for a happy compromise and felt that that was sufficient for administrative expenses.

LOAN MANAGEMENT/PROPERTY DISPOSITION

Mr. **Traxler**. You are requesting funds for 5,000 loan management units and 10,000 property disposition units in 1991. What did you request of OMB, both in units and dollars for property disposition and loan management programs?

Ms. **Fitts**. Do you have that?

Mr. **Kliman**. I did not bring that particular detail with me, but it was a lot more. Let me just explain, though, that at the time we submitted the regular submission to OMB, the details of HOPE had not yet been worked out, so at that point in time we were still submitting our dollars in the Annual Contributions account, for the most part, "under a concept of this is the way it was under the current legislation."

Subsequent to that, of course, the HOPE proposal was fleshed out, and we have dealt with preservation through HOPE.

SECTION 8 AMENDMENTS

Mr. **Traxler**. You are requesting $1,810,442,000 for Section 8 amendments in 1991. That doesn't include amendments for Section 202. That is approximately $440 million above the 1990 appropriation. The increase is primarily in the project reserves category. My question is why have funds for project reserves increased from $233,656,060 in 1988 to $380,070,200 in 1989 to $539,832,664 in 1990 to $899,942,000 that you are requesting for 1991?

Ms. **Fitts**. Mr. Chairman, if this is a quiz, I just failed. Mr. Kliman?

Mr. **Traxler**. I did, too. The question is can you imagine all of that money? Isn't that incredible?

Mr. **Kliman**. Mr. Chairman, this gets back to a real old problem. The Section 8 Program was underfunded from the very beginning. Because of inflation, increased operating costs, rental increase and insufficient tenant income increase there has not been sufficient budget authority appropriated at the front end to keep that program going for the full anticipated term.

In fact, this is documented by GAO. What happens is that every time there is an increase in fair market rent or every time someone in Congress gets us to review the fair market rents and say it really ought to be some higher number than the number published in the regulation, the money to pay for it comes out of the project reserve.

So this is a cumulative problem which has been growing and will continue to grow. I cannot promise you that next year's number will be lower. It will probably be higher.

Mr. **Green**. You had a cushion originally?

Mr. **Kliman**. The project reserve was structured to accommodate increases but it gets used up about mid contract term. In say, a 20-year contract, the reserve average probably gets you to around the 11th or 12th year.

Believe it or not, we do have situations out there where there is a surplus in the project reserve account. The general rule, however, is a deficit and I think you know some specific cases.

Mr. **Green**. To what extent is that the result of the very high inflation of the late seventies and early eighties?

Mr. **Kliman**. A very large part of it. We do not have the data system to be able to attribute that X billion dollars of the increase was because of that massive inflation, but obviously a very high proportion of it was.

Mr. **Green**. I am just wondering whether you can extrapolate from what happened the first 15 years of the program to the next years given that peak of inflation from 1979 to 1982?

Mr. **Kliman**. As these terms would end, and as we renew projects with five-year terms rather than 15, 20 or what-have-you these particular problems with the project reserve will be eased because we have been doing a much better job in estimating for five years rather than for 15, 20, or 25 years.

Part of that $500 million increase is $70 million. The $70 million is related to the Rainier view case, which the Authorization Committee acted on last year. Indeed, we have included specific appropriation language for it, so you can only attribute $430 million of the increase to us.

Mr. **Traxler**. You are requesting $768 million for amendments for existing housing 1991. Your total annual contributions for the assisted housing appropriations request based on the way the Act was put together last year is approximately 7.4 billion, and what amendments for existing housing require 10 percent of the funds you are requesting in the annual contributions account for 1991?

Why do amendments for existing housing require 10 percent of the funds you are requesting in the annual contributions account for 1991?

Mr. **Kliman**. I would rather provide the answer for the record because that one is very complicated.

[The information follows:]

Amendment Needs for Section 8 Certificates

Since the inception of the Section 8 program during fiscal year 1975, subsidy funding has been provided each year to increase the numbers of households receiving assistance under the Section 8 Certificate program. At present, the Department administers almost 2,000 individual contracts with State and local housing authorities providing certificate rental assistance to more than 850,000 eligible households.

Amendment requirements for certificate contracts are related to a number of factors including:

1. The method of obligation (reserves);
2. Age of the program and program demographics;
3. Administrative reimbursement to PHAs;
4. Structure of the contract with the Public Housing Authorities (PHAs); and
5. Short-term amendment funding.

Method of Obligation (reserves)

During the early years of the program, "base level" funding for certificates was appropriated for the long-term--in theory up to 15 years. The funding is base level since it was intended to provide an adjustable level of subsidy support for a prescribed period of time and reduce--but not necessarily eliminate--the need for subsequent cost amendments. Contract funding for new certificates was obligated using the full, estimated first year rent or FMR for a given size dwelling unit. The first year maximum rent was then multiplied by the number of years of expected contract duration to determine the base level budget authority for the contract term. As the maximum annual subsidy payable is set at the full first year rent, and eligible tenants are required to pay 30 percent of their adjusted income towards rent, a portion of the annual subsidy obligation during the early contract years would not be needed. These initial contract surpluses are placed in a non-cash project reserve which is used to offset cost increases during future years of the contract. This reserve process serves to provide a cushion to offset the need for amendments as rents increase over time. The adequacy of these reserves--and the need for amendments--is contingent upon the following factors.

Age of Program and Tenant Demographics

The success of the current obligation mechanism in preventing amendments depends upon a number of uncontrollable factors including local market rent trends, eligible tenant income demographics and tenant turnover. In certain market situations, for example, the West Coast, market rents have increased by as much as 70 percent over a recent 5 year period. Such rapid rent increases generally far outstrip increases in tenant income and exhaust available reserves. In other cases, modest market rent increases may preclude the requirement for an amendment. Generally speaking, however, as the program has aged, the need for cost amendments to these contracts have increased.

Administrative Reimbursement of PHAs

An additional drain on the existing certificate project reserves are the fee payments made to support the PHAs administering the contracts. Currently, PHAs receive a monthly fee based upon approximately 7.65 percent of the FMR for a two-bedroom dwelling unit in the market area. Unlike vouchers, PHA fees for certificates are not appropriated separately and are drawn from existing project reserves. These administrative fees currently cost close to $350 million annually.

Use of Consolidated Contracts

Another factor influencing certificate amendment needs is the structure of the certificate contracts. Section 8 certificates are a tenant-based, as opposed to a project-based subsidy. That is, the subsidy is not attached to a specific structure but literally may move with an eligible household when that household changes residence. In addition, certificates may be reissued to other eligible households as previously assisted households leave the program. Certificates are administered by local Public Housing Authorities (PHAs) including, in certain cases, State Agencies. Because they are tenant-based and subject to market conditions rather than the costs associated with a particular structure, there is very little practical difference between the certificates provided for use by the administering PHAs over the life of the program. That is, current rent requirements associated with certificates issued to a PHA 10 years ago will differ little from certificates issued in subsequent years. In order to simplify PHA administration, certificates which were provided to PHAs during the program's first 13 years were not treated as new contracts. Each authority operated using a consolidated contract which was amended as new certificates were added to the program. The consolidated contract concept was designed with the intent of simplifying program administration. Rather than tracking a number of separate contracts, each representing a different increment of certificates, the PHA used one contract and one budget to manage all of its certificates.

This system should have worked reasonably well for a program with the characteristics of the certificate program. However, because the Department does not have adequate reporting and control systems it was unable to provide timely and accurate funding information on the status of these contracts and in 1987 the Congress mandated that the contract mechanism should be revised to reflect individual contracts for each individual certificate increment.

The use of a single contract and single budget for all certificates managed by a PHA has an impact on timing and relative size of amendments. Each year, the administering PHA assesses the adequacy of existing project reserves plus the allowable contract drawdown in relation to the expected rent requirements, administrative costs and offsetting tenant contributions for all the certificates it manages. If the expected expenditure exceeds available reserves plus the annual contract drawdown an amendment must be processed. The entire PHA contract must be amended and not simply one increment.

When large numbers of new certificates were being added to the contracts, the amounts obligated with the recent additions reduce amendment needs. This occurred because the more recent certificates were obligated at higher amounts and thus allowed a higher drawdown. In essence, the reserves associated with the new certificates were drawndown faster in order to support the requirements for the older certificates. However, as fewer and fewer new certificates have been added in recent years, the funding cushion has been depleted and the need for amendments increases.

Short-term Amendment Funding

Generally speaking, estimating amendment requirements is an imprecise art and requires forecasting future funding needs which are dependent upon a number a unpredicatable and uncontrollable variables. This forecasting problem has been exacerbated by the overall complexity of the certificate program and the inadequacy of the Department's data systems and funding procedures. Until recently, the Department did not have a systematic approach to projecting future amendment funding needs. In those cases where amendment funding has been proven insufficient, the Department has been forced to shift to shorter term amendments of 1 to 2 years in duration. While short term amendments solve immediate funding needs, additional amendment funding is required as the short term funds are expended.

Over the last 2 years the Department has been developing and refining a system named SURVEY which automates the amendment process used for certificate and moderate rehabilitation contracts. Using data supplied by PHAs as part of their annual budget submission, together with available accounting information on project reserves, SURVEY provides a more accurate, systematic approach to projecting amendment needs.

TOTAL DEVELOPMENT COSTS

Mr. **Green**. We have raised the ceiling on total development costs last year, and do you think you have enough within the amendments to cover it?

Mr. **Kliman**. That was in the Public Housing area, and at the same time as you lifted the ceiling on total development cost (TDC) limits for Public Housing, an increased amount was made available for amendments of Public and Indian Housing projects.

Now, not all of it is going to happen at one time, as you well know, and the amount that was provided last year was not enough to take care of the entire pipeline. I can let Tom Sherman add more on it, but I think that the number that we have for amendments in 1991 ought to handle what we think will start in 1991.

Now, if our guesses are wrong then the estimate is wrong, but—Tom?

Mr. **Sherman**. The figures that come from my desk these days show me that it might not be enough to take care of the amendment needs this year. However, we cannot tell until we actually get into the fiscal year. We have not put the Notice of Fund Availability (NOFA) out for the new units yet, which we expect to do very shortly.

Mr. **Green**. When would you be able to give us a figure with some certitude?

Mr. **Sherman**. I might have to consult with the Field Office staff, but let me see what I can come up with.

Mr. **Green**. If you could for the record.

Mr. **Sherman**. And we need to include the Indian Housing units, too.

[The information follows:]

Public and Indian Housing Development Amendments

A total of $179.1 million is currently available for amendments to existing Public and Indian housing development contracts in 1990. At first, it appeared that this amount would be enough to meet 1990 requirements. However, the best estimate available at this time points to the need for a total of $309.1 million in amendment funds this year—$130 million more.

Revised cost calculations, based on the methodology contained in the 1990 Appropriations Act, indicate the need for an additional $100 million in development amendment funds. Furthermore, a preliminary survey of HUD Field Offices identified another $30 million for amendments to Major Reconstruction of Obsolete Public Housing Projects (MROP).

A more detailed survey of amendment needs will be completed by July 1, 1990 at which time a more accurate estimate of 1990 and 1991 needs will be available.

Mr. **Green**. Thank you, Mr. Chairman.

Mr. **Traxler**. We are going to suspend for a minute while we change reporters.

Why don't we just take a 5-minute break at this point, a seventh inning stretch.

[Recess.]

ANNUAL CONTRIBUTIONS—RENEWALS

Mr. **Traxler**. You are requesting $7.7 billion in fiscal year 1991 to renew 294,495 units, an increase of $6.7 billion, and 253,003 units above 1990.

You told us in a letter dated August 2, 1989, that there was a need for $8.7 billion for 332,000 units in 1991.

Can you tell us what has happened since then to reduce those numbers?

Ms. **Fitts**. There have been several changes. Our current estimates are based on more detailed data from two different accounting systems.

Mr. **Kliman**. The numbers are essentially the same as what was submitted last year. The difference is solely because, when we submitted the numbers last year we gave you an estimate for the full quarter of the next fiscal year.

The data was footnoted at that point to indicate that we did not, at that time, have month-by-month data.

The information that has been submitted this year was on the same basis as was funded in 1990. That is funding a month into the next fiscal year for vouchers and loan management expirations and a month and a half into the next fiscal year for certificates.

Mr. **Traxler**. Thank you.

Turning to the table on Page D-37, it shows contract expirations, both units and costs, for fiscal year 1990 through 1995.

What are your renewable contract estimates for 1996 and 1997?

Mr. **Kliman**. Given the complexities we ran into last year, we didn't try to estimate past 1995 this time.

Ms. **Fitts**. When you asked about the Secretary's Management Task Force and we said we had one that is so important that we had an outside contractor looking at it, that is, in fact, we are looking at designing a system to track Section 8.

One of our problems is the ability to predict with accuracy what we would need. It was that system that I was referring to.

Mr. **Traxler**. The 1990 Appropriation's Act provided that to the extent needed up to $90 million could be transferred from the annual contributions for assisted housing accounts to the Section 8 contract renewal account.

Considering the amount for renewals was reduced by both the across-the-board and sequestration, have you requested more or are you utilizing any of the transfer authority?

Mr. **Kliman**. At this point we have not. We met last week with the program office with regard to procedures to get this money out.

We have asked them to let us know, based upon their evaluation, what amounts above the $1.74 billion, if necessary, we might need.

At the time, we don't know the answer to the question. If we do need the $90 million, we will be here looking for it.

PREPAYMENT OF MORTGAGES

Mr. **Traxler**. Prepayment of Section 221 and Section 236 mortgages after 20 years is often confused with expiring Section 8 contracts.

Further complicating this issue is the ability of owners of properties participating in the Section 8 program to drop out.

Tell us under what circumstances the owner of a property participating in the Section 8 program can unilaterally drop out.

Mr. **Kliman**. In the early years of the Section 8 program contracts were written to allow project owners to opt out after five years. That was changed by statute.

I forget what year it was changed by statute. Whether or not there are any of those original five-year opt-outs left, I am not totally sure.

John Ambrogne said there are still some of them.

Mr. **Traxler**. Is there any way in which they have that choice each year?

You can do that for the record.

Mr. **Kliman**. I will have to provide that.

[The information follows:]

Section 8 Opt-Outs

From the inception of the Section 8 project-based program until approximately 1980, virtually all HAP contracts were for a 20-year term with a provision that the owner could opt-out in 5-year increments, i.e., if a contract was executed in 1/1/76 for a 20-year term, the owner could opt-out on 12/31 of 1980/85/90 and not extend for the next 5-year incremental period. If the owner did not extend, then the contract terminated and the contract and budget authority was recaptured. In late 1979, HUD amended its program regulations and executed all contracts that the owner agreed to enter into after the effective date of the regulation for a full 20 years with no opt-our provisions.

However, for all contracts entered into prior to the effective date of the regulation change, the owner is able to make a choice to opt-out every fifth anniversary date of the contract through the term of the contract.

Based on the above, HUD will face each year until 1996 some owners who have the ability to opt-out of their Section 8 contracts.

PUBLIC AND INDIAN HOUSING DEVELOPMENT

Mr. **Traxler**. Turning to Public and Indian Housing, for fiscal year 1991, once again the Department is requesting no funding for new public or Indian housing units. We have funded additional new public housing units because the committee believes the program provides virtually the only incremental units for the lowest income families in the nation.

Looking at public housing development and/or major reconstruction program, in 1986 the subcommittee initiated funding for a new major reconstruction of obsolete projects program that we intended would be carried out pursuant to the same rules and regulations for development of new projects and not the rules and regulations for the regular modernization programs.

We are told, however, that you are not complying with the requirement and that HUD's regulations have pegged the cost limits for major reconstruction and for modernization as the same.

Is that a fair statement?

Mr. **Janis**. Mr. Chairman, we have recently discussed that issue with members of the Public Housing community and industry. For the past couple of years, we have been using the Public Housing development cost guidelines to limit the Major Reconstruction of Obsolete Projects (MROPs) and the Comprehensive Improvement Assistance Program (CIAP) in the same manner.

I do agree with the Chairman's comments that what happened over the span of time that we have had MROP is that it has become almost interchangeable with modernization programs.

In our Notice of Fund Availability, we are going to be more sensitive to that issue. We are administratively going to redesign the MROP program to represent more of the major rehabilitation type of program rather than the modernization type of program.

Mr. **TRAXLER**. I think that is a good estimate. I think it is very important to the intent of the Congress.

I appreciate your expediting that process.

Have you issued any handbooks or supplements to handbooks or regulatory materials relative to the major reconstruction program?

Mr. **JANIS**. We have not done so.

Mr. **TRAXLER**. Do you intend to do so?

Mr. **JANIS**. Yes.

If the program were to continue, we certainly plan to get Field guidance out on the MROP program.

Mr. **TRAXLER**. Could you expedite that issuance?

Mr. **JANIS**. Yes.

Mr. **DELLIBOVI**. Mr. Chairman, I would like to mention here that we have a repertory of a large number of handbooks that the Assistant Secretaries have for revision.

We are in the process of having those optically scanned. One of the problems in the past with handbook revisions is they have to be retyped each time.

We are in the process of having them automated on the state-of-the-art equipment that we have been able to purchase with your good graces so that we can keep these things updated and do this in a real and modern fashion.

Each of the Assistant Secretaries has selected those handbooks which they feel are most in need of revision. Those are the first ones being scanned.

We anticipate that by the end of this process we will be doing all of them.

MAJOR RECONSTRUCTION AND CIAP

Mr. **TRAXLER**. We have been advised by some of the housing activists groups that the agency in a sense violates the congressional mandate by often denying major reconstruction funds to a project that has received CIAP monies in the past and sometimes using major reconstruction funds simply as an add on to CIAP and not for major reconstruction.

Is that a fair statement by those people?

Mr. **JANIS**. What we have said is that major reconstruction and CIAP could not possibly be combined for the same units. However, in a development, some of the units could be done under a CIAP program and some other units could be done under a major reconstruction program.

We have sought not to combine those funds for the same units.

SALE OF PUBLIC HOUSING

Mr. **TRAXLER**. Several years ago we agreed to allow HUD to undertake a demonstration of the sale of public housing units to public housing residents.

The limitation was placed at 2,000, if my memory is correct.

Can you tell us how many have been sold thus far?

Mr. **Janis**. That is under the PD&R program. I don't believe anyone is here from PD&R.

We could supply that for the record.

[The information follows:]

Number of Public Housing Units Sold

Three-hundred twenty-five have been sold. There is a 242-unit project in Paterson, New Jersey, for which sale is expected to occur in the near future. There are another 120 units in the Virgin Islands and 18 more scattered units, for a total of 705 which are expected to be sold within the next few years.

Mr. **Kliman**. I have a vague recollection in the back of my head that it is about 300 units.

PUBLIC HOUSING DEMOLITION, DISPOSITION AND REPLACEMENT

Mr. **Traxler**. We will raise these issues with PD&R. They are very important to us.

For the record, would you provide for us funds appropriated in fiscal year 1987, 1988 and 1989 and the following: First, how many units were reserved for replacement of public housing units including those disposed of, those demolished, and those lost in major reconstruction; second, how many units were reserved for new construction and how many for substantial rehabilitation; third, how are they distributed to the PHAs and which PHAs received how many units; and fourth, how many units were applied for by PHAs?

[The information follows:]

Public Housing Development and Major Reconstruction of Obsolete Projects

The fiscal years 1987-1989 appropriations, units reserved, and approvable unit applications for Public Housing Development and Major Reconstruction of Obsolete Projects [MROP] follow:

[Dollars in thousands]

	Actual 1987	Actual 1988	Actual 1989
Appropriation (Funds reserved):			
Budget authority	$499,194	$573,138	$381,145
Units reserved:			
New construction	3,760	5,317	3,128
Substantial rehabilitation	1,151	1,237	985
Acquisition of existing housing	1,219	1,237	1,133
Subtotal, development	6,130	7,791	5,246
Major reconstruction of obsolete projects [MROP]	5,503	5,709	1,854
Total units	11,633	13,500	7,100
Units for replacement housing included above	[1,066]	[1,621]	[956]
Approvable unit applications for development/MROP	15,181	27,417	16,957

Data are not available as to the number of replacement units requested by PHAs/IHAs. However, a listing of Public Housing Agencies that received funding in fiscal year 1989 showing the units and funds, respectively, has been provided to the Committee.

REPLACEMENT OF UNITS DEMOLISHED

Mrs. **Boggs**. Mr. Chairman, I think perhaps this is an appropriate question at this time, if I may?

We had a visit in New Orleans from Mr. Schiff and the Region 6 Administrator. We have terrible problems with our housing authority.

It has been under, at HUD's directive, the Management Group of America which was hired from the outside to deal with the deficiencies in the housing authority of New Orleans.

They have been on board now since September of 1989 and have recently recommended the demolition of 700 apartments at the Desire housing project.

In their deteriorated state it would be more costly to rehabilitate them than it would to replace them with vouchers and certificates.

New Orleans has a 15 to 17 percent vacancy rate in public housing projects because units lack preventive maintenance. Demolition of the units and replacement through vouchers and certificates, would allow New Orleans to decrease the density in public housing as well as being very functional.

Can you comment on the initiative put forward by the management group?

Mr. **Janis**. Mrs. Boggs, I am not aware of the status or if we have received any proposal for the demolition work at the project. We have a program requirement which will govern that.

Certainly we would be responsive to a request to meet those requirements for the demolition.

Under Section 18 of the Housing Act, there are provisions to do this exactly for what you are mentioning, to thin out projects, to rid housing authorities of projects that are obsolete and non-viable properties.

We would be prepared to review a proposal from the management group for the authority regarding that.

Mrs. **Boggs**. Thank you.

Thank you, Mr. Chairman.

PUBLIC HOUSING MODERNIZATION

Mr. **Traxler**. Yes.

Turning to public housing modernization, I note you are requesting $1,850,000,000 in 1991, which is approximately $130 million decrease from the level provided by the committee last year.

The HUD/ABT modernization needs study states a backlog of about $21 billion currently exists and that doesn't include lead abatement funds. Yet we see before us a request in 1991 of only 1.85 billion.

At that rate it would be the year 2003 or almost 13 years before we would make up the backlog of modernization request.

What is the department's goal for a modernized public housing stock?

Mr. **DelliBovi**. Our first goal is to get the money that is already obligated put to use.

I believe I indicated yesterday it was $3.6 billion of CIAP funds unobligated by the PHAs and IHAs. As part of our effort that we referred to earlier this morning, about monitoring and improving how we interact with the PHAs, one of our goals is to help them improve how they use the funds we give them.

Obviously, the $1.8 billion request, is not as great as some would anticipate. The key fact to us is that the $3.6 billion that they already have has not been obligated.

We want to focus now on being able to use the money as appropriated and made available.

Mr. TRAXLER. Do you need more personnel to administer this program?

Mr. DELLIBOVI. We are not in a position to answer that question because we believe that the administrative procedures are so out of date that first we have to update them and then decide what workload indicators we have as to what people have to do.

Right now people are doing things that have no relationship to the outputs that we all want to see happen.

You could double or triple the number of people but if they still are doing tasks that don't produce results, you won't gain anything.

We are taking a total approach to review this monitoring and get us to a point where what we do has an impact on what tenants get.

Mr. JANIS. Correct. The Under Secretary said it perfectly well. In public housing, both in modernization management and financial management, we are doing an awful lot of counting of very small things and not counting very big things.

We have to count the things that are more important, including the modernization program. I certainly concur that we really cannot make an appropriate estimate for additional staff until we re-orient our staff.

To respond, Mr. Chairman, to a previous comment you made—as part of our effort, we fully intend to revise and, in fact, rescind some existing handbooks to relieve the Field of existing paperwork burden so that they can work more efficiently and effectively.

The Comprehensive Grant Program which we hope to go with in fiscal year 1991 for modernization, hopefully, also will change the workload on our Field staff because it will give the PHAs more flexibility in using modernization funds and it will get the Department somewhat out of the need to do as much bean counting and specific program monitoring as we have done in the past.

Mr. TRAXLER. When will you have a sense as to your personnel needs in this area, whether you have enough, too many or not enough?

Mr. JANIS. I don't have a specific target date. I expect the program review in terms of our efficiency and effectiveness would probably take somewhere between 6 and 9 months to fully staff in terms of what we need for our program requirements and our changes in handbooks.

MODERNIZATION BACKLOG

Mr. TRAXLER. Your HUD study suggests that to do both the backlog by the year 2000 and to keep current with the ongoing modernization requirements, about $3.7 billion should be available each year between now and the end of this decade.

What are the consequences of this $1.9 billion gap between the department's request and the needs study?

What is going to result if that is the amount that is appropriated as your 1991 request?

Mr. **Janis**. Again, I would like to emphasize one of our primary concerns is expediting the backlog of the unobligated funds, and we have not even really talked about the unexpended funds in the modernization program.

One of the things that we are working with housing authorities to do is to improve their efficiency and effectiveness of utilizing modernization funds. For a number of years we have prioritized modernization funds to address the problem of vacant units.

The number of vacant units has been increasing. It is certainly of principal concern to the Department.

Mr. **Traxler**. It really stretches out that modernization period, though?

Mr. **Janis**. Potentially looking at what the needs are, yes, it stretches out the period.

REPLACEMENT COST OF PUBLIC HOUSING

Mr. **Traxler**. Have you any estimates as to the replacement cost of our public housing stock?

Mr. **Janis**. No, I do not. A lot of money.

Mr. **Traxler**. Lot's of money?

Mr. Green?

FUNDING FOR DISASTER RELIEF

Mr. **Green**. A couple of weeks ago you made $14.7 million of CIAP funds available to Regions 2, 4 and 9 for disaster relief. There is also a provision for FEMA to assist and local governments to repair and replace buildings and structures damaged by natural disasters.

Is this on top of what FEMA is doing?

Mr. **Janis**. Yes, this is additional funding. This does not supplant the FEMA funding.

Mr. **Green**. You are getting the FEMA funding to deal with these——

Mr. **Janis**. I don't have any knowledge that we are not.

Tom.

Mr. **Sherman**. I think we are. At least some provision in the law related to FEMA says if other government agencies can fund something, then they won't. That might have some effect.

Mr. **Green**. If for the record you could give us a report on this?

[The information follows:]

Federal Emergency Management Agency Funds

Under the Federal Emergency Agency (FEMA) Public Assistance Program, funds can be made available to pay for repairs to public facilities which are damaged as a result of a natural disaster. Public Housing projects qualify as a public facility, and the Department can confirm that FEMA is providing financial assistance to projects damaged by Hurricane Hugo. The funds from FEMA are in addition to amounts HUD already has provided for the affected projects. Since FEMA still is negotiating with specific Public Housing Agencies, the amount that will be provided in not known at this time.

Mr. **Green**. Thank you, Mr. Chairman.

LEAD-BASED PAINT ABATEMENT

Mr. **Traxler**. The Housing Community Development Act of 1987 broadened the scope of lead abatement in public housing and the PHA's are about to come under revised HUD guidelines in undertaking this costly but important work.

We don't see any money for lead-based paint abatement in the department's 1991 budget; is that correct?

Mr. **Janis**. There is no money specifically set aside for lead-based paint. It is, as in previous years, included within the modernization fund account.

Mr. **Kliman**. Mr. Chairman, I would like to point out that we are continuing lead-based paint research activity and the demonstration program.

Mr. **Traxler**. Did the department request funds from OMB for lead-based paint?

Mr. **Kliman**. Specifically for lead-based paint?

Mr. **Traxler**. Yes.

Mr. **Kliman**. I don't believe we identified anything like that specifically, other than $500,000 for lead-based paint research.

Mr. **Traxler**. Is there any expectation that housing authorities will pay for the cost of testing and for abatement? Has a policy decision been made on that?

Mr. **Janis**. To pay for it?

Mr. **Traxler**. Testing?

Mr. **Janis**. Within the modernization program testing costs and abatement costs are eligible expenditures. There is a category of modernization funding specifically for lead-based paint testing and abatement.

Mr. **Traxler**. Since your estimates on the modernization of public housing came before the, abatement legislation and your guidelines, will that substantially impact on modernization costs?

Mr. **Janis**. Mr. Chairman, I have no way of telling now.

Mr. **Traxler**. You are about to issue the lead-based abatement guidelines?

Mr. **Janis**. That is correct.

Mr. **Traxler**. That would be due apparently momentarily?

Mr. **Janis**. It is at the printer's.

Mr. **Traxler**. Do the guidelines deal with the question of worker protection?

Mr. **Janis**. Yes. In fact, in the later days of getting the guidelines approved, we have had some recent discussions regarding worker protection with the Occupational Safety and Health Administration (OSHA).

It is our assumption that after the guidelines are published, there will be some continuing discussions regarding that issue. We feel the guidelines reflect a workable approach at this point.

I might add that because the field of lead-based paint abatement prevention, worker protection, et cetera, is still relatively new, we do not anticipate the guidelines will be set in concrete.

We do expect that there will be modifications to those as we learn more ourselves and through agencies such as EPA.

PUBLIC HOUSING OPERATING SUBSIDIES

Mr. **Traxler**. Looking at the public housing operating subsidies on page Q-1, you are requesting $1,825,731,000 in 1991. The agency's request for operating studies have understated the performance funding systems formula requirement in each of the last 10 years.

We think that in fiscal year 1990 the department is looking at a shortfall of approximately $122 million.

Why is it the estimates don't seem to come out right?

Mr. **Janis**. As was discussed a little bit yesterday, part of our estimating process is naturally somewhat imperfect because we are dealing with the forecasting of economic indicators over which we have no control.

We simply are living with the fact of those imperfections and the need for us to estimate considerably in advance of the Budget year based upon economic forecasts.

Mr. **DelliBovi**. The biggest components of the problem are fuel and utilities.

They are subject to fluctuations and prices on the world market and changes in the climate. When the heating season is longer, the cost goes up.

We have pricing activity in parts of the world that drive prices up. That has an impact.

Mr. **Traxler**. Wouldn't this be an appropriate reason to request a supplemental?

Mr. **DelliBovi**. Well, certainly when we have the data in, a decision could be made to request a Supplemental.

Mr. **Traxler**. Have you talked to OMB about that?

Mr. **DelliBovi**. I don't know of any conversation with OMB with regard to a Supplemental on that matter.

Mr. **Traxler**. They might even look with favor on it.

Mr. **DelliBovi**. I suppose, if the climatic changes rain some gold on the Old Executive Office Building, they might be more favorable.

The question is where do the funds come from, I suppose.

We did not get to cross that bridge. We didn't have all the data in the appropriate season.

Mr. **Traxler**. Well, the subcommittee did.

Mr. **DelliBovi**. We have an indication that you might.

Mr. **Traxler**. We moved $72 million, as a matter of fact, from the Section 8 Mod-Rehab funds to Public and Indian Housing Operating Subsidies. Can you use that money?

Will it be spent wisely?

Mr. **DelliBovi**. The money clearly will be spent that is made available. Obviously there are only two sources to pay these bills. Our funds, which if you move them from Mod-Rehab will be there, or the tenants.

It is a very difficult issue. I wish that there were a better way to predict this with more accuracy.

Certainly you can be sure that the money will be better spent paying for the Public Housing needs than for the mod-rehab needs or program, mod-rehab uses.

Mr. **Traxler**. It is fair to say, though, that in the event we don't appropriate sufficient funds for operating monies, it is going to impact adversely on the tenants and they are going to have to come up with more funds or live with fewer services.

Mr. **DelliBovi**. You cannot charge the tenants any more than 30 percent of their income. It will not result in rent increases.

Obviously, it will result in Public Housing Authorities doing less of something that they are now doing. Where they are doing good things, they will do fewer good things.

Mr. **Traxler**. Do you support the efforts on the part of the committee to increase the operating subsidy?

Mr. **DelliBovi**. We will advise you when the Supplemental Bill is passed. There is a clear need.

The Secretary has met with mayors, including Mayor Dinkins. He has talked to Mayor Bartholomew.

Other mayors around the country were also very sympathetic to this problem.

PERFORMANCE FUNDING SYSTEM ESTIMATE

Mr. **Traxler**. The Council of Large Public Housing Authorities estimates the performance funding system requirements for 1991 is 2.1 billion.

If you could for the record do a detailed analysis and comparison of HUD's estimate and the Council of Large Public Housing Authority's estimate, we would appreciate that.

Mr. **Janis**. We will do that.

[The information follows:]

Comparison of Operating Subsidy Estimates

A detailed analysis and comparison of Operating Subsidy estimates for fiscal year 1991 developed by the Department and Council of Large Public Housing Authorities (CLPHA), respectively, follow:

[Dollars in millions]

	1991 Estimate	
	HUD	CLPHA
Assumption for Basic Performance Funding System [PFS]:		
Non-utility cost inflation	4.1	5.2
Utility cost inflation	1.4	3.0
Income inflation	3.9	3.0
PFS and non-PFS projects	$1,927.5	$2,047.7
1987 HUD Act:		
Formal "Allowable Expense Level" [AEL] review	30.0	30.0
Energy incentives	3.0	3.5
Funding for reconfigured units		7.9
Improved tenant income recertification/verification activities	−10.0	−20.0
Utilities "rolling-base" system	−50.4	−50.4
Current vacancy rule policy	−19.1	−19.1
Revised vacancy rule policy	−14.3	
Vacant unit rule	−27.5	
Revised "Allowable Expense Level" [AEL] increase	−8.5	
Energy assistance grants included as income	−5.0	
Miscellaneous adjustments		20.0
Additional insurance		55.0
Litigation		4.0
5-percent contingency		103.9
Total	1,825.7	2,182.5

DRUG ELIMINATION GRANTS

Mr. **Traxler**. On page R-1 you are requesting $150 million for Drug Elimination Grants. Why do you need a special appropriation of $150 million for Drug Elimination Grants, when you don't have sufficient funding for public housing operating subsidies which has the effect of potentially generating more drug problems?

It looks nice to have a separate account for drug abatement.

Operating subsidies, of course, provide security personnel, among other things.

What are we gaining?

Mr. **Janis**. What we are gaining through a separate appropriation request is being able to deal with what is just an absolutely horrendous, horrible problem facing a number of Public Housing Agencies, to deal with it in a very concerted manner.

I think the Public Housing Agencies I have talked with recognize that even under the best circumstances, there are serious drug problems. Their operating subsidy funds would not be sufficient to deal with the problems in the manner it requires.

It is just a deplorable condition when drugs have taken over housing authority developments and units, and those units cannot be turned back to the people who most need them.

The purpose of the Drug Elimination Grants is to deal with that one point directly with the provision of specific grants based upon the application of the agencies.

We feel the $150 million appropriation request is needed to deal with that terrible problem in a concerted, focused manner. That is the reason for the request as a separate appropriation.

You are correct that operating subsidy funds still can be used and are used for drug elimination activities as well as modernization funding which can be used and is used for certain aspects of dealing with the drug problem.

There are multiple resources. In addition to modernization funding and operating subsidies, we still feel that we simply have got to have additional funding to focus on what has become just a deplorable condition in the country.

Mr. **Kliman**. Mr. Chairman, there are some specific mandates in the Anti-Drug Act of 1988, the only source of funds of which are out of this separate funding account.

Just from a technical standpoint, we received some money for drugs in the Operating Subsidy account, as a separate item. We have money for drugs in the Annual Contributions account as a separate item.

We have money for drug grants in the Transportation Appropriation bill. Technical people would like to avoid having three different sources of funds for the same thing.

INDIAN HOUSING

Mr. TRAXLER. Turning to Indian housing programs, the department is not requesting funds for any additional units in fiscal year 1991.

The question is did you request any funds for the Indian housing program in fiscal year 1991 from OMB?

Mr. KLIMAN. No, sir.

Mr. TRAXLER. How are you going to meet the needs of Indian housing?

Mr. JANIS. Mr. Chairman, one of the things that we have done in terms of both the Indian and the Public Housing needs is that we are very, very mindful of the problems of the existing stock and the need to remedy the problems of the existing stock in terms of putting units back into use by reducing the substantial number of vacancies through use of the modernization program.

We are also working with members of the Senate Select Committee, regarding a Commission that was authorized but not funded last year to deal with the issue of housing development for the Indian Housing program.

There is an Indian Housing pipeline, albeit it is not as great as it has been, of units that have not been completed.

Mr. TRAXLER. What should we tell tribal representatives who ask us where the new housing is coming from?

Mr. JANIS. What we have said in our budget is that we are focusing our resources on the existing housing condition and existing stock.

In the Indian Housing program, we have a concern and a need to deal with the existing mutual-help properties which we find need modernization funding at this time which was not anticipated.

Mr. GREEN. How much?

Mr. JANIS. We do not know. Under the mutual-help program, they were not anticipated to need any modernization funding.

Yet, we are getting anecdotal information that a fair amount of that stock needs modernization type work. We do not have a good figure.

The need on the Indian reservations to modernize the existing stock represents a need we feel we have to devote our resources to because of the 5 percent vacancy rate.

Mrs. BOGGS. Last year, in the hearings when I asked Mr. Sherman, who was then the Acting General Deputy Assistant Secretary for Public and Indian Housing, about the critical need and the disastrous situation in Indian housing, he assured me that HUD was exploring with Indian tribes and Indian housing authorities an alternative method of providing housing in the Indian area.

What were the results of that investigation?

Mr. JANIS. You will definitely correct me if I am wrong, Mr. Sherman.

I believe that was premised on the creation of the Indian Housing Commission.

Mr. SHERMAN. That is correct.

Mr. JANIS. The Indian Housing Commission was not funded.

Mr. DELLIBOVI. Mrs. Boggs, it is important that we put this somewhat in perspective.

In 1989, 1,478 units were reserved. Construction was started on another 2,667 units.

During that same year, 1989, only 2,075 units were completed. That left 9,305 units still in the pipeline.

We are a lot more likely to get results by trying to manage that pipeline and get those units on line in the next several years than adding to the end of the pipeline new units.

We do hope that the Commission will get going and be able to work on some long term solutions.

The tribal representatives are rightly concerned. We are concerned as well about the ability to put the appropriations into action.

Mr. TRAXLER. Mr. Green.

TOTAL DEVELOPMENT COST GUIDELINES

Mr. GREEN. When do you expect to have your new rules in place?

Mr. JANIS. I signed the notice last week. We have sent that out on speed mail. The Field Offices should have that this week. We would hope to have that published and out to all of the Public Housing Agencies by the end of this month certainly, and hopefully earlier.

Mr. GREEN. What is the time table on the NEHEMIAH?

Mr. JANIS. I do not know.

Ms. FITTS. The NOFA has been prepared and has gone forward with the Secretary's signature and should be published this month.

Mr. GREEN. If I could turn to the 202, and particularly, the AIDS housing.

I understand what you published in the Federal Register was not the final regulation, but simply a Paperwork Act publication.

I am not quite sure why the Paperwork Reduction Act now requires you to publish twice in the Federal Register instead of once.

I was concerned that not only did you not have provision for the 250 units set aside which we had urged in the conference report, but the paper that you did publish suggested that you want the AIDS units sprinkled around larger 202 projects.

I understand the philosophy, which is generally not one of concentrations of the disabled.

On the other hand, the department has also over the years recognized that certain kinds of disabilities need certain kinds of assistance which it may not be efficient to provide when there are two people in one project and three people in another project. In my district I have Tanya Towers, half elderly, half deaf. There is another project in Manhattan for the blind.

I have to say to you I think AIDS is the same kind of situation.

We are going to need intensive kinds of services for people with AIDS who are disabled essentially coming out of hospitals, freeing up hospital beds which are desperately needed in New York.

I am concerned that you don't seem to be going at the program as I think we intended in the conference report.

Ms. FITTS. We appreciate the problem. I think our concern is an issue of fairness. We feel that if we set aside a small portion of, those facilities that happen to be funded, that we would benefit those few people in that particular area.

I don't think I would necessarily disagree at all that there might be a synergy of services, if you will.

We thought it was more fair to victims of AIDS. That gives far more fairness nationwide.

Mr. **Green**. Certainly, under the Helms Amendment, people with AIDS are qualified as disabled or can qualify for disabled and are eligible for 202 units for the disabled.

It is also the intent, and I think very clear in the language of the conference report, to recognize that AIDS is not a problem that is spread around evenly nationwide, that there are very high concentrations of it. And some of those concentrations occur in very tight housing markets.

It is the clear intention of the conference report that that situation be recognized by reserving a small portion of the 202 program for people with AIDS in those tight markets.

I don't think the language could be much clearer than that.

There should be a deviation from the general 202 program to accommodate this special problem in those special communities.

Ms. **Fitts**. We have spent an enormous amount of time trying to make the 202 program responsive to the needs of the AIDS victims.

Mr. **Green**. I would hope you would invite proposals in communities which meet the test of the conference report language.

Mr. **Logue**. There were some problems that were reviewed. We are——

Mr. **Green**. I think the conference report made a very clear statement of congressional intent to overcome those rules and overcome the process to try to deal with this one kind of special situation.

Let me turn to some FHA questions. I noticed in the Federal Register November 29, 1989, a rulemaking that mortgages under Section 203-D, 222 and 240 of the National Housing Act were now eligible for direct endorsement.

What struck me was on the following page where you indicated that only about 400 mortgages per year are insured under those programs. It seemed to me that one of the characteristics of the FHA program that has gotten in trouble, like the land development program, has been the very small number of cases that are insured under the program. That defies the rules, which is that you spread risk by having large numbers of cases.

Are we going to face the same kind of problem in those three programs that you have got a very small number of cases insured?

Ms. **Fitts**. It is a good question.

I think it is how it is managed. The intent of having to go through direct endorsement is, in fact, to permit increased and certainly much more cost beneficial processing of that program.

203-K is a good example where we believe that what we have done is we have negotiated a risk sharing package with public agencies in several jurisdictions and want to encourage doing so where if the statistics of losses on the program are greater than experienced, it will be picked up by the public agencies. That is an example of proper risk management.

What you should know is that by far the highest default experienced with any underwriter is those that are not processed through direct endorsement but, in fact, by HUD, and studies by PD&R show that such losses are not necessary.

I think putting it through direct endorsement does not necessarily, make it more dangerous. Studies are showing this.

Mr. GREEN. How is the Mutual Mortgage Insurance Funding doing at this point?

Ms. FITTS. That is a question on everybody's mind. We have, as part of the Secretary's reforms announced last year, a comprehensive actuarial study of the single family MMI Fund and the GI Fund.

The study of the MMI Fund has several phases. The first is to tell us what the current status of the portfolio.

The second is to tell us what we need to do to make sure we are operating on a self-sustaining basis on future underwriting.

The third is to tell us what we need to do institutionally to make sure we have the capability to always do that. We are hoping to have the results of that some time later this spring.

Mr. GREEN. The losses on the single-family fund show that we can wait out this process?

Ms. FITTS. As you remember, there were large losses declared in 1988. Many of those MMI losses were related to some actuarials to bring up us to a GAAP funding basis.

These are similar kinds of write-offs in the general funds—let me address single family.

The single-family side in the 1989 estimates, which should be done by the end of the summer, will have to reflect any long lost reserves that may need to be used if the actuarial study determines the current portfolio is not sound.

If that is the conclusion, we will have to take one more write-off.

On the general insurance fund side, the actuarial study will not be ready in time for the 1989 estimates. What we have instructed the auditors, as new information comes in, to go through our data very carefully and make sure whatever they did last year and this year is appropriate.

Last year the losses in the MMI Fund were smaller than the GI Fund.

Mr. GREEN. On a cash flow basis, we are not looking at a point where you are going to have to borrow from the Treasury or we are going to have to appropriate money?

Ms. FITTS. We moved, as you know, during the last decade, to the up-front mortgage premium. What that means is as we underwrite large volumes of business, we get in a tremendous amount of cash up front that provides us with sufficient cash reserves for some period of time even if there would be a negative flow of cash later; and that is good news.

The bad news is moving the MIP up front, if anything endangered the soundness of the fund.

As we permit it to be financed, it moved the ratios.

Mr. TRAXLER. Do you remember last year in the bill we wrote in authorizing legislation that increased the maximum FHA loan for single families from $101,000 to close to $125,000?

Did that help the fund or hurt the fund or can't we tell at this point?

Ms. Fitts. We can't tell at this point. One of the answers that will come out of the actuarial study is what increased and, what decreased—it is very important when you look at the results of that study or you discuss that issue that you understand that you can't look to low limits alone.

There are variables including down payments, pricing and premiums. It must always be looked at in combination, for example, if we were to increase the loan limits but at the same time lower premiums, it would be very risky.

If you flipped it, it could be the opposite.

You must always look at it as a package and not address the loan simply as a loan.

Mr. Traxler. What was the position of the Department on that increase?

Ms. Fitts. It bounced around.

Mr. DelliBovi. The Department's position was we do not support it.

Mr. DelliBovi. We did not request an increase but did sign the bill. There were a number of other provisions in that legislation.

Mr. Traxler. What are the consequences?

In the event we don't have a housing bill by the time we get to mark-up, what should we do on this issue?

This was a one year authorization. Have you made requests regarding this to the authorizing committee?

Ms. Fitts. The proposal in the 1991 Budget did not put forward any proposals in connection with this and in essence delayed any such proposals until the results of the actuarial study were in.

For purposes of calculations they presumed an extension of the $124,875 limit et cetera. That was for calculation purposes. The statement of the Administration at the time was as soon as the actuarial study is completed, the Administration would be coming forward with proposals.

Mr. DelliBovi. The preliminary indications in the contract suggest that loan limits have really very little effect generally on the Fund. The loan to value ratio, as Mr. Green points out, is far more significant.

We anticipate having this report later in the spring. I think it is safe to say it would be before markup. We will be able to provide a briefing to you at that time.

Mr. Green. One more area I would like to cover. I don't know whether it is you or PDR that has it at the moment.

I believe it is under Section 1019 of the McKinney Act—I will wait for that.

Mr. Traxler. We are going to be between a rock and a hard place come mark-up because we will be in the same position that we were last year.

This is, of course, one of our innovative financing techniques.

Mr. DelliBovi. That is not what they call it in Albany or Boston.

Mr. Traxler. We are New York financiers, aren't we.

Anyhow, our problem here is that this is a helpful outlay gimmick for us. If the authorizers don't do this, we are going to lose outlays. That will impact adversely on some of the things that we want to assist you with.

Any help you can give us in this area will be appreciated because it will show up in the numbers.

Ms. **Fitts**. We understand that the faster we can get this to you, the better off we both are.

Mr. **Traxler**. I have one other question in conclusion on the housing. Looking at the Section 202 housing for the elderly or the handicapped program, we note in the justification and in the Secretary's efforts to clear out the stalled units in the pipeline that there are about 100,000 units that are still in the process. Is that right?

Ms. **Fitts**. No.

Mr. **Traxler**. How about the 100,000 units?

Ms. **Fitts**. That are still in the pipeline?

Mr. **Logue**. We have 30,000 units in the pipeline that reflect previously allocated units in previous years that are in the process of moving through the pipeline.

Mr. **Traxler**. Mr. Green?

Mr. **Green**. I have no questions.

Mr. **Traxler**. Mrs. Boggs?

Mrs. **Boggs**. I have one other question about the Federal Housing Administration. Of course we have seen a steady growth in the single-family inventory since 1984. According to your justification on page H-12, you plan to allocate substantial resources to the single-family disposal program to sell 85,640 properties in 1990 and 87,830 properties in 1991.

Part of the reason for the increase is regional economic downturn, and Louisiana is no exception to that factor.

As you know, the Resolution Trust Corporation is putting a tremendous amount of properties on the market in Louisiana. Have you coordinated disposition efforts with them in order to lessen the economic impact not only on Louisiana but on the whole Southwest?

Ms. **Fitts**. That is an excellent question.

We are very concerned, as you know, and I think you may have heard me talk about it. We want to do as much as we can not to disturb the conventional market, both by providing liquidity to those markets, but also by making sure our property disposition operations are as kind as you can be to the conventional markets.

We have required in the management plan, which is the tool by which we manage the Field, that all of our Regional Housing Directors meet with their counterparts from the Resolution Trust Corporation (RTC). Your Region has been very good about meeting with the RTC.

Our initial feedback is somewhat unreliable, because properties have just begun to come into inventory. That is particularly true for Region 6.

Much of the single-family inventory was sold into the secondary market by the savings and loans. What we have seen in Region 6 so far is that the RTC inventory is primarily commercial properties and multi-family, whereas ours is much more single family.

If that is true, we will not have as many problems as we might otherwise have. But, we will continue to track it.

When the Secretary announced the reforms for the actuarial study, he announced an entire task force. That group was to come forward with substantial numbers of reforms, one of which was single-family property disposition.

We are hoping, some time late this summer, to have some of those finalized. We are looking for opportunities to take properties and, with current method looking at their real value to us to determine if they can be sold.

This is where the financial estimates that Congressman Green referred to before become so valuable, because they enable us to do things we never did before.

I think you are familiar with our $1-year lease program with the homeless. That, in fact, was triggered by a very creative proposal that came out of Baton Rouge where it was clear we were never going to realize values from these properties.

We were holding them in inventory at great expense for ourselves rather than making them available to people who could really use them. We are trying to do things like that to move properties to the extent that the value and the pricing mechanism is viable with non-profits.

You should expect to see by the end of the summer, a fair number of steps we can take to either not take properties back into inventory or as we do, get them out but in a way that is the least damaging to the conventional markets as possible.

Mrs. **Boggs**. Thank you.

Thank you, Mr. Chairman.

Mr. **Traxler**. It is sort of a no-win situation. If you keep it in inventory, it is not occupied and gets vandalized and the taxpayer gets hurts.

I am sure at some point in time we looked at whether you could sell those units to PHA's in some situations.

Ms. **Fitts**. As we gather new financial information, we have been able to persuade counsel that it is very good to do things that had been thought were damaging to the Fund.

We have been able to show the opportunity cost of money, the fact that the property is just sitting—it can be shown we are doing those things in a way that is good for the Fund. At the same time let me just warn you there are times when we are criticized for dumping when I think that that is very improper criticism.

It is not good for those neighborhoods or for those properties to be held off the market, especially when those same people are encouraging us to finance substantial amounts of new construction in that area and are aggressively selling their own inventories.

Let's be careful about who we accept that criticism from and how. We should be selling those homes quickly. It is not good for those communities to have homes just sitting empty.

Mr. **Traxler**. This afternoon we will come back at 2 o'clock.

WEDNESDAY, APRIL 4, 1990.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

WITNESSES

ARTHUR HILL, PRESIDENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

ROBERT KALISH, EXECUTIVE VICE PRESIDENT

GEORGE ANDERSON, DIRECTOR, FINANCIAL MANAGEMENT DIVISION

PAUL A. YATES, SENIOR ASSISTANT VICE PRESIDENT, ASSET MANAGEMENT

KIMBERLY NEIDEFFER, SPECIAL ASSISTANT TO THE PRESIDENT

ALBERT J. FULNER, JR., CONTROLLER

THOMAS WEAKLAND, BUDGET OFFICER

OFFICE OF THE SECRETARY

ALFRED DELLIBOVI, UNDER SECRETARY

RICHARD LASNER, ACTING ASSISTANT GENERAL COUNSEL FOR FINANCE

ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

Statement of Arthur J. Hill
Government National Mortgage Association
Before the Subcommittee on VA, HUD and Independent Agencies
of the House Committee on Appropriations
April 1990

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today to discuss the proposed budget of the Government National Mortgage Association for FY 1991.

Proposed Activity

GNMA is requesting $80 billion in commitment authority in 1991 to provide a secondary market for the Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA) mortgage and loan activities. An estimated $67 billion in GNMA securities is anticipated to be issued during 1991.

Anticipated Losses From Issuer Defaults

As reflected in the Budget, GNMA experienced a sudden increase in issuer defaults in its single family and multifamily Mortgage-Backed Securities Programs. GNMA has been forced to assume the issuer responsibilities for these defaulted portfolios. GNMA's overall servicing of defaulted issuer pools grew from approximately $3 billion to over $12 billion in 1989. GNMA is currently servicing over $14 billion, of which over $11 billion is single family, and anticipates that it will be forced to assume the issuer responsibilities of an additional $14 billion through 1995. Losses from the above portfolios are expected to reach approximately $610 million with the majority of the losses from the portfolios being incurred over the next several years. Even though GNMA expects to incur substantial loss from these portfolios, its overall revenues over the next five years from all activities are expected to exceed expenses.

Future Concerns

GNMA is financially sound, however, there are certain unknowns that could, in the future, erode GNMA's financial strength. My particular concerns are in the areas of economic stability, impact of the bailout of the savings and loan industry, and the affect the VA's limited guaranty and "no-bid" formula has on GNMA.

a. Economic Stability

The budget estimates were based on the premise of continued economic stability with a gradual recovery of the economy in the Southwest. Any drastic regional downturn in the economy could have a negative impact on GNMA losses.

b. Bailout of Savings and Loan Industry

GNMA presently has over 80 savings and loan issuers that are in either Federal Deposit Insurance Corporation (FDIC) or Resolution Trust Corporation (RTC) conservatorship/receivership. Historically, with few exceptions, the FDIC and the former Federal Savings and Loan Insurance Corporation (FSLIC) have been able to restructure or sell off assets of financially troubled GNMA savings and loan issuers with no loss to GNMA. However, any significant change in policy in this area could be detrimental to GNMA. Additionally, asset disposition policies of the RTC and other major players selling off foreclosed properties could affect the price that GNMA would get on the sale of its foreclosed properties.

c. VA's Limited Guaranty and No-Bid Formula

Since 1984, VA has been statutorily required to minimize its losses on foreclosed properties by exercising its right, when cost beneficial to VA, to pay the lender only the VA guarantee amount on defaulted loans instead of acquiring the property and absorbing the resulting losses. This VA "no-bid" formula has passed on large losses to the GNMA issuer community and to GNMA. When an issuer is no longer able to make the proper monthly pass-through to the investor, GNMA is forced under its guarantee to default the issuer, and assume issuer responsibilities that include absorbing losses on FHA and VA defaulted loans. GNMA is concerned that an increase above the current number of VA "no-bids" could increase its financial liabilities.

GNMA is presently working with FDIC, FNMA, FHLMC and VA to minimize its financial exposure.

Guarantee Fee Increase

Because of the concern about potential future losses, the Budget also reflects the Administration's proposal to increase the guarantee fee paid by issuers in GNMA's single family programs. If legislation to remove the restriction on GNMA's ability to adjust its fees is enacted, the guarantee fee will be raised. The 1991 Budget reflects an increase of 4 basis points above the current fee of 6 basis points.

Administrative Expenses

The funding request for 1991 is $6 million, an increase of $384 thousand over the 1990 estimate of $5.6 million. A staffing level of 61.1 staff-years is proposed, an increase of 1.2 staff-years above the 1990 estimate. The increase will enable GNMA to provide for increased oversight of the Mortgage-Backed Securities (MBS) Program.

This concludes my prepared remarks. I would be pleased to answer any questions you may have regarding GNMA's programs or its 1991 request.

THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

VA NO-BIDS

Mr. **TRAXLER**. The 1991 budget requests an $80 billion limitation on guarantees in the mortgage-backed securities program, which is $1.7 billion below the 1990 limitation. Last year we discussed the potential impact of VA's proposed change in the no-bid policy which could force Ginnie Mae to absorb the additional cost of veterans' loans in the MBS program.

Can you tell us what your current policy is on that issue?

Mr. **HILL**. The VA no-bid has been detrimental to the Ginnie Mae program and continues to offer a tremendous amount of concern to us. We have met with VA to try to resolve the matter so that they can continue to offer their program responsibilities to the public and at the same time mitigate the financial impact that their no-bid policy has on Ginnie Mae.

That resolution continues to be elusive, even though we are having continued dialogue with them. Just recently, OMB has come into the picture to try to assist with the resolution of the matter, but it continues to be of concern to Ginnie Mae. We continue to see losses to be effectuated against Ginnie Mae.

Mr. **TRAXLER**. Is it correct that Ginnie Mae might adopt a much stricter policy regarding VA guaranteed loans, perhaps a larger down payment?

Mr. **HILL**. We are, as indicated, looking at possibilities to mitigate the impact. We would certainly like to resolve it to everybody's satisfaction, meaning both VA and Ginnie Mae. We are also looking at the impact it will have on the deficit as well.

We are working with both OMB and VA in trying to resolve the matter in an amicable fashion. We are attempting to work it out that way first and try to exhaust all possibilities. Otherwise we will have to drop back and try to look at other alternatives that would help lessen the impact on Ginnie Mae.

Mr. **TRAXLER**. In looking at that down payment issue, what would you recommend, as the size of the down payment, what percentage?

Mr. **HILL**. Well, it is an interesting question. Right now the VA participant really gets in for very little. We were considering a very small down payment on amounts over the previous $144,000 loan limit that was historically the level until last year when it was raised to $184,000. We were looking at 10 percent of the new additional loan limit, meaning the difference between $144,000 and $184,000. Ten percent would be $4,000, and would equate to about 2.1 percent of the overall loan limit if an individual veteran used the $184,000 limit. That was one of the policy changes under consideration.

We never really got to a final posture on this issue.

GUARANTEE FEES

Mr. **TRAXLER**. Can the guarantee fees be increased without legislation?

Mr. **HILL**. No, sir. We would have to go back to the Congress and get legislation passed to do that. As you probably are aware, Congressman, a fee increase is being proposed by the administration that will raise the fee from the six basis points to 10 basis points.

MOBILE HOMES

Mr. **Traxler**. Ginnie Mae has placed a moratorium on new issuers coming into the mobile home program until the program can be properly evaluated. When do you think the evaluation will be completed?

Mr. **Hill**. We are continuing with the evaluation, Congressman. We expect before the end of the year to report our findings. We will assess whether or not it is appropriate to continue with the moratorium or to go on with the program, and, if we go on with the program, on what conditions and what scenario is appropriate to provide a good risk to Ginnie Mae.

Mr. **Traxler**. What changes might occur in the mobile home program?

Mr. **Hill**. There again, we are studying possible changes. One of the concerns is having a fully guaranteed product. The mobile home is a less than fully guaranteed product, which means exposing Ginnie Mae to additional risk.

One of the concerns is the value of the product itself. Mobile homes are pretty much like an automobile, and once it drives off the lot it depreciates at an accelerated rate.

Let me give you an example, Congressman. When we have defaults we are forced to take mobile homes back into inventory, Real Estate Owned (REO), if you will. The normal scenario is that the original product had a value of $20,000. The mortgagar defaults and you are forced to take it back on an REO basis and put it back out or at least try to move it or sell it or dispose of it. You lose about 75 percent of that amount, meaning you can only dispose of it for an average of maybe $5,000.

The difference would be a loss to GNMA. We reserve substantial dollars over the last couple fiscal years to accommodate anticipated losses of about a half billion dollars, so that causes tremendous concern. If you are going to remove the moratorium, if you will, return to normal activity, then you want to have a way of at least mitigating that kind of negative impact.

Mr. **Traxler**. Mr. Green?

SECTION 235 REFINANCING

Mr. **Green**. Back at last year's conference there was some discussion of the prepayment of the 235s and what the impact might be on the Ginnie Mae securities market. Where do you stand on that and what marketing facts, if any, have you had?

Mr. **Hill**. Well, we are continuing to study the prepayment issue. When you have a security out on the market you pretty much identify to the investor that it is at X interest rate, whatever that interest rate might be. For us to accelerate the maturity of that particular security, when an investor has already made their investment decision, be it a pension fund or even a retired citizen looking for the future cash flows off of that Ginnie Mae government-guaranteed security represents a lack of commitment.

That gives the investor less confidence, if you will, in the product.

Mr. **Green**. I understand that. On the other hand, I would guess that most Ginnie Mae investors are fairly sophisticated investors, though they may not anticipate this possibility, and they are certainly aware that Ginnie Mae mortgages are of an uncertain length.

In fact, the history of Ginnie Mae securities is that they have paid off earlier than was anticipated at the start. At the time of our discussion, I believe, there was a discussion that there were considerable savings to be made by HUD through calling these mortgages. In fact, I guess we came under the limit, our 302(b) limit, counting on that savings. I am just puzzled that it doesn't seem to have happened.

Mr. HILL. Well, you are right, Congressman. A good portion of the Ginnie Mae investors are sophisticated. However, there are individual investors that lack the resources of institutional investors, including retired persons who are in the fixed income bracket. The expected life of a Ginnie Mae is 12 years, so they do have an early payoff. You still have to bear in mind that there are some that are less sophisticated investors that are not aware of the average prepayment of a GNMA security.

The answer to your question in terms of what is the impact today I could not honestly respond to you. I would be happy, if you will, to provide you with a response.

Mr. GREEN. If you would. They told me they put that issue behind us. It may be one of those things we can get under the 302(b) allocation every year just the way we used to settle a contract.

[The information follows:]

SECTION 235 REFINANCING

There are not expected to be any direct costs to the GNMA MBS program. Section 235 refinancing would be treated like any other refinancing or prepayment of an FHA mortgage. We would expect that the refinanced mortgages would be scrutinized into new MBS pools and sold to investors with a lower yield. We also expect that this would constitute a use of the annual MBS credit limitation.

Any net savings from refinancing 235 high interest rate mortgages would result from lower interest costs to the Section 235 account. These savings are currently estimated at $191 million over the remaining term of the mortgages. This also represents the net recapture estimate of budget authority which would subsequently be rescinded.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. TRAXLER. Mrs. Boggs?

SERVICING PORTFOLIO

Mrs. BOGGS. Thank you, Mr. Chairman. President Hill, it is nice to see you.

Your justification indicates on page U-3 that during 1989 Ginnie Mae experienced a substantial increase in issuer defaults. Ginnie Mae's total servicing portfolio increased from approximately $3 billion to $12 billion in 1989. How many issuer defaults actually occurred, do you know?

Mr. HILL. We had several. One major one, Congresswoman Boggs, dealt with the Guardian out of New York, which was $7 billion. We did have a substantial increase from $3 billion to $12 billion, and today it is probably close to $14 billion, accelerated obviously because of the Southwest economy and VA no-bids.

The major portion of that growth was the Guardian matter. There was the Puller default as well. There were about three or four, major defaults that caused that substantial growth.

Again, the major one was Guardian, which was $7 billion. Today we have about $14 billion, so Guardian was about half of what we have outstanding today, and that is the single-family portion of our portfolio.

We have three stratas within the default portfolio. One is single-family, about $10 billion, which is the largest with $7 billion or 70 percent representing Guardian. The others are the multi-family portfolio, which is close to $2 billion right now; and then we have the mobile home portion, which is the remainder.

Mrs. Boggs. Do you think, for the record, that we could have a breakdown of the issuer defaults by the size of the institution?

Mr. Hill. We would be happy to provide you with that, yes.

[The information follows:]

GNMA-Held Portfolios by Date of Default and Portfolio Size at Default

COMPANY	DEFAULT DATE	REMAINING BALANCE (Dollars in Thousands)	LOCATION OF ISSUER
Manufactured Housing:			
Bossier	6-86	$14,452	LA
Blue Ridge	6-86	9,814	VA
Southern Guaranty	7-86	213,587	FL
Shelter America	10-86	219,924	CO
Commodore	11-86	358,649	TX
Kensington	3-87	146,838	FL
Colwell	6-87	219,339	TX
Fort Wayne	6-87	143,386	TN
First Financial	9-87	184,375	TX
Countrywide	11-87	115,279	CA
Capital Bank	2-88	12,481	LA
Cardinal	3-88	182,323	NC
Subtotal		1,820,447	
MULTIFAMILY:			
DRG	9-88	1,011,000	DC
Puller Mortgage	5-89	467,000	IN
Southwest Funding	5-89	135,000	TX
Sigma Mortgage	12-89	113,000	TX
Carnegie Evans	1-90	216,000	CT
Subtotal		1,942,000	

SINGLE FAMILY:	DEFAULT DATE	REMAINING BALANCE	LOCATION OF ISSUER
Commodore	11-86	$52,592	TX
City Bond	4-87	9,136	CA
Texas Western	6-87	28,042	TX
Prudential	9-87	92,140	PR
Guardian Mortgage	9-87	1,171	VA
First Financial	1-88	41,363	MI
Oklahoma Mortgage	1-88	243,512	OK
House of Holmes	3-88	7,000	CA
Justice Mortgage	7-88	26,556	TX
Laurance Eustis	9-88	69,310	LA
Capital Mortgage	11-88	10,274	IL
Independent Mortgage	1-89	1,006	MN
Gulf Coast	2-89	1,149,808	TX
Heights of Texas	2-89	22,043	TX
MICO	2-89	1,214,961	TX
Maple Mortgage	3-89	235,182	TX
First Security	4-89	87,303	OK
New York Guardian	6-89	7,120,493	NY
First Federal-Big Springs	7-89	24,090	TX
Sentry Savings	7-89	15,378	TX
Cardian	8-89	372	VA
HMM Co/DBA Realty Mtg.	10-89	2,873	TX
Trinity Mortgage	10-89	52,172	TX
Mortgage Credit Corp.	10-89	233,758	TX
Westmark	10-89	380,879	TX
The Florida Group	1-90	60,444	FL
TARI	1-90	685,080	FL
Subtotal		11,866,893	
GRAND TOTAL		15,629,340	

VA-NO BIDS

Mrs. **Boggs**. You have cited the regional weakness in the economy and the VA no-bids as a reason for the single-family defaults. Louisiana is hard hit by both of those factors, as you know. Are you coordinating with the VA to address the problem the no-bid policy causes for issuers?

Mr. **Hill**. Just before you came in, I addressed that question, but I will be happy to reiterate my reply. The first day that I came to Washington as a special advisor to the Secretary, I met with Under Secretary DelliBovi and members of the Ginnie Mae and VA staffs to discuss the matter. We have had several meetings since that time.

A couple weeks ago, OMB entered the picture. We are now having discussions on this issue with both VA and OMB to see if we can resolve the matter in a fashion that is equitable and fair to all parties concerned. Obviously, we would like for it to be fair to us.

Mrs. **Boggs**. Well, thank you very much. I apologize for asking the same question again. Thank you.

Thank you, Mr. Chairman.

Mr. **Traxler**. Mr. Lewis.

Mr. **Lewis**. Mr. Chairman, some of us have even more erratic schedules than others, and I apologize for mine. You have been patient with me on other occasions. I did have questions, and even a specific one here, but I think I will submit it for the record.

Mr. **Traxler**. Appreciate that. Thank you.

Well, that was painless. We have no other questions.

Mr. **Hill**. Thank you. We will be happy to provide you with answers, Congressman Lewis, and you, Congresswoman Boggs, on the specific breakdown.

Mrs. **Boggs**. We are happy to have you aboard.

Mr. **Lewis**. Mr. Chairman, I might mention one of the questions that I do have does have a relationship to a specific constituency, and I intend to attach that letter for the record for your personal attention.

Mr. **Hill**. In anticipation of providing you with a quick answer, Congressman Lewis, could you give us some idea of what that particular issue is?

Mr. **Lewis**. I will give it to you as we walk out of the room.

Mr. **Hill**. Great.

[The information follows:]

Questions for the Record Provided by Congressman Lewis

Mr. Lewis #1

FHA Property Sale

Question: One of the main goals of the FHA's mortgage insurance programs is to expand homeownership opportunities and increase the supply of affordable housing. On the bottom of page H-2 of this year's justification, you make special note of the expected work of the "FHA for the 90's" Task Force.

If I understand the numbers correctly, HUD has a substantial portfolio of acquired properties. Under the Government National Mortgage Association (GNMA) program for example, you are projecting defaulted coinsurance mortgage claims to reach as much as $1.2 billion by 1995.

I just wonder if it might be appropriate for the Task Force to reexamine the question of whether HUD, in its efforts to improve the efficiency with which it disposes of foreclosed properties, has taken appropriate steps to encourage buyers who obtain funding from other federal homeowner assistance programs to bid on these acquired properties.

For example, are there any regulatory inconsistencies which might act as a disincentive for veterans to bid on FHA properties using their VA loan guaranty entitlement to No-No loans (No down payment, Low closing costs)?

Answer: The Department is not aware of any regulatory inconsistencies which might act as a disincentive for Veterans to bid on FHA properties.

Currently, HUD will pay on behalf of the purchaser of HUD-owned single family properties, financing and closing costs of up to three percent of the purchase price (four percent for certain designated hard to sell properties). This limit is applicable to all purchasers, no matter what type financing is involved (FHA, VA etc.). While the VA does permit the purchaser to pay a 1% origination fee, it prohibits payment of any discount points. To the extent that the HUD payment is insufficient to cover the discount points, the potential purchaser will either have to renegotiate his mortgage with the lender or terminate the purchase with VA guarantee.

Mr. Lewis #2

Section 202 Financing

Question: The Section 202 program assists a wide variety of special groups—the elderly, the handicapped and, if you receive what you are requesting under the HOPE initiative this year, new authority to serve chronically mentally ill homeless ($35.8 million). This money not only serves the mentally ill homeless but also people suffering from drug abuse and alcohol dependency.

The description of the 202 funds on page I-5 of your '91 justification contemplates projects "to demonstrate innovative methods to meet the special needs" of the section 202 target groups.

Do these innovative methods include rehabilitation of public facilities already owned by State and local Governments?

Answer: The reference to innovative methods means HUD's proposal to allow funding for the leasing of units which meet the section 202 program requirements. While the application for HOPE funds would be submitted by the State or local Government, actual leasing and operation of the units would be undertaken by qualified non-profit organizations. There would be a five year assistance term for housing leased under this component of the HOPE Shelter Plus Care Program.

Question: What is the percentage match for units of State and local Government that would participate in the program?

Answer: HUD's housing assistance funds must be matched in funding for supportive services on a dollar-for-dollar basis by the applicant.

Question: Would I be correct in assuming that the "Seed Money" loans could be used for administrative costs as well as to finance new construction or rehabilitation?

Answer: Funding under Section 202 for the Shelter Plus Care Program can only be used to lease housing, not for seed money or for the construction or rehabilitation of housing. This question seems to confuse eligible activities under the regular 202 program (with seed money assistance under section 106(b)), with this new 202 leased housing program.

Mr. Lewis #3

Familial Status Title VIII Complaints

Question: You are requesting $1 million for enforcement and compliance activities in the research and technology line item in the PD&R portion (p. I-6) of your budget submission. Your justification talks in general terms about studies you will undertake but makes no mention of the difficulties experienced by both tenants and managers of mobile home parks in attempting to comply with P.L. 100-430--the Fair Housing Act Amendments of 1988.

There are continuing difficulties which arise from the "Familial Status" provisions within the Act. We continue to see any number of bills being introduced by California and Florida members to eliminate or clarify the requirements for obtaining a seniors park exemption. In some cases, substantial rental increases have been passed on to mobile home renters by landlords seeking to capitalize their efforts to qualify for the seniors exemption. What can you tell use about the scope of these problems?

Answer: The Department has received 2,144 complaints based on familial status from the effective date of the law, March 12, 1989, to March 12, 1990. Many of these complaints involve mobile home parks. The Regional Office distribution of familial status complaints is as follows:

Regional Office		Number
I	Boston	150
II	New York	102
III	Philadelphia	115
IV	Atlanta	229
V	Chicago	407
VI	Fort Worth	185
VII	Kansas City	137
VIII	Denver	70
IX	San Francisco	544
X	Seattle	205
	Total Complaints	2,144

During the same time period, the Department secured $2,769,805 in relief for complainants through successful conciliation. $1,014,044 of this amount was for relief for complaints filed on the basis of familial status. Further, the Department obtained 314 units of housing for complaint resolutions, 137 of which were for complaints filed on the basis of familial status.

There were twenty-three familial status complaints that resulted in formal charges.

We are also coordinating with the Department of Justice on pattern and practice cases involving this issue.

The Department also expects to begin designing a series of evaluation and monitoring projects aimed at the implementation and effectiveness of the fair Fosing Act in FY 1992 and to conduct such research beginning in FY 1992 or 1993. To the extent that problems for tenants and owners of mobile home parks persist, these concerns will be included within our overall evaluation plan. This research will consider the extent to which housing developments utilize exemptions for the elderly as a means to bar the admission of families with children and the effect of such exemptions on major affected parties.

Question: Are these problems significant enough to warrant a full scale compliance review, and if so, should this be done with some portion of the $208,000 increase you are requesting for fair housing research?

Answer: PD&R's authority under Title V does not allow using the Research appropriation to conduct compliance reviews. However, the Fair Housing Amendments Act of 1988 does make it possible for FHEO to investigate and seek remedial action for complaints based on familial status. Because this legislation has only been implemented since March 12, 1989, we do not yet have much history to determine the magnitude of the problem.

The Department is currently involved in coordinated efforts with the Department of Justice on pattern and practice cases relative to this issue and also plans to research the extent to which housing developments utilize exemptions for the elderly as a means to bar the admission of families with children.

WEDNESDAY, APRIL 4, 1990.

COMMUNITY PLANNING AND DEVELOPMENT

WITNESSES

ANNA KONDRATAS, ASSISTANT SECRETARY

RUSSELL K. PAUL, ACTING DEPUTY ASSISTANT SECRETARY FOR PROGRAM MANAGEMENT

PAUL ROITMAN BARDACK, DEPUTY ASSISTANT SECRETARY FOR PROGRAM POLICY DEVELOPMENT AND EVALUATION

DAVID COHEN, DIRECTOR, OFFICE OF URBAN REHABILITATION

ROY O. PRIEST, DIRECTOR, OFFICE OF URBAN DEVELOPMENT ACTION GRANTS

DON I. PATCH, DIRECTOR, OFFICE OF BLOCK GRANT ASSISTANCE

FRANK L. DAVIS, DIRECTOR, OFFICE OF FIELD OPERATIONS AND MONITORING

RICHARD H. BROUN, DIRECTOR, OFFICE OF ENVIRONMENT AND ENERGY

SYLVESTER ANGEL, DIRECTOR, OFFICE OF PROGRAM POLICY DEVELOPMENT

CHRISTOPHER WYE, DIRECTOR, OFFICE OF PROGRAM ANALYSIS AND EVALUATION

JAMES N. FORSBERG, DIRECTOR, OFFICE OF SPECIAL NEEDS ASSISTANCE PROGRAMS

JO ANN W. STANTON, DIRECTOR, OFFICE OF MANAGEMENT

DAVID S. BROWN, DIRECTOR, BUDGET DIVISION

ALFRED DELLIBOVI, UNDER SECRETARY, OFFICE OF THE SECRETARY

VINCENT R. LANDAU, ASSISTANT GENERAL COUNSEL FOR BLOCK GRANTS

ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

STATEMENT OF ANNA KONDRATAS

Mr. TRAXLER. Okay. We will be going to CPD next.

We are pleased to welcome Anna Kondratas, Assistant Secretary, Community Planning and Development.

[The statement of Ms. Kondratas follows:]

Statement of Anna Kondratas

Assistant Secretary for Community Planning and Development

Before the Subcommittee on VA, HUD and Independent Agencies

of the House Committee on Appropriations

April 1990

Mr. Chairman and Members of the Committee:

I am pleased to appear before you to discuss the 1991 Budget proposals for Community Planning and Development.

We need healthy and vibrant communities to maintain economic vitality and general well-being in our society. Federal assistance and incentives for community development supplement State, local government, and private market efforts to sustain economic and social growth in urban and rural neighborhoods and communities.

In 1991, we will continue our efforts to concentrate Federal resources on national priorities and provide maximum opportunity for State and local governments to respond to their own local community and economic development needs. The principal Federal program to achieve these objectives is the Community Development Block Grant (CDBG) program. The CDBG program provides Federal support for States, cities, urban counties, Indian Tribes, and Insular Areas.

Community Development Block Grants

We are recommending an appropriation of $2,756 million for the CDBG program. In 1989, 716 metropolitan cities and 121 urban counties were awarded entitlement grants. CDBG funds for smaller communities are allocated among the States. Within the above total of $2,756 million, we are proposing a funding level of $14.5 million for Special Purpose Grants. These funds will be used to fund the Insular Area, Work Study, and the Historically Black College programs. We are also proposing legislation to better target CDBG funds to low- and moderate-income persons, including legislation to require entitlement grantees and States to have a strategy for fighting poverty.

Homelessness

President Bush and Secretary Kemp are committed to helping end the tragedy of homelessness and to provide special emphasis on the long-term homeless who are in need of social services or health care. As part of the HOPE (Homeownership and Opportunity for People Everywhere) initiative, the Budget proposes a new homeless program beginning in 1991, "Shelter Plus Care". This program would have three components, one of which would be administered by my office - Rental Housing Assistance for the Homeless. This component would be funded at $161 million and would assist an estimated 6,600 persons. The assistance would target the seriously mentally ill and chronic substance abusers. The Budget also proposes to fund the existing Emergency Shelter Grants Program at a $71 million level and the Supportive Housing Program, which includes both Transitional and Permanent Housing, and was recently transferred to my office from the Office of Housing, at a $143 million level.

As Secretary Kemp's advisor on homeless issues, my concerns are broader than the homeless programs included in the CPD portion of the budget. In that role, I provide oversight to ensure that all HUD homeless programs are administered in accordance with the Secretary's commitment to end the tragedy of homelessness.

Rental Rehabilitation Grants

The President's Budget proposes an appropriation of $70 million for the Rental Rehabilitation Grants Program in 1991. These funds would provide for the rehabilitation of 8,600 units. The Budget also proposes that, beginning in 1991, communities with designated Housing Opportunity Zones and approved Barrier Removal Plans under the HOPE initiative receive bonus allocations of Rental Rehabilitation funds.

Urban Homesteading

An appropriation of $50 million is proposed for the Urban Homesteading Program in 1991. At an average property value of $18,000, we expect this funding level to support the transfer of approximately 2,780 properties to homesteaders. This request is nearly four times greater than the amount provided for 1989 and nearly twice the revised funding level proposed for 1990 and reflects the Administration's priority to promote increased homeownership opportunities.

Enterprise Zones

The Department's HOPE proposal would create 50 enterprise zones that will provide incentives for low-income workers and attract seed capital for business development. Enterprise zones can remove barriers to investment and entrepreneurship in our distressed urban and rural communities, through Federal regulatory relief and tax incentives together with comparable and supportive state and local incentives. This will enable private enterprise to create jobs and revitalize distressed urban and rural areas.

HOPE Grants

Within the Department's appropriation request of $250 million for the proposed HOPE Grant Programs for fiscal year 1991, $72 million will be available for a new non-profit and affordable housing initiative which I will administer. The funds would be used for grants to private non-profit organizations, or public agencies, to facilitate homeownership of vacant properties now held by a diverse array of government agencies, among them FHA, GNMA, RTC, States, and localities. In order for the program to strengthen neighborhoods, community-based organizations --- or on a limited basis States or localities applying on behalf of those organizations --- would be the entities eligible to receive funding. When community groups apply for the HUD funds, of course, we would require State or local sign-off on their application. Moreover, to assure that HUD acts in partnership with community groups, States, and localities in the administration of this program, we would ask them to provide a $1 match in cash or in-kind services for every $2 provided by the Department.

Terminated Programs

The Section 312 Rehabilitation Loan and the Section 108 CDBG Loan Guarantee programs are being proposed for termination. Their worthy goals can, in our view, be met by the CDBG program.

Staffing

We are proposing a staffing level of 1,132 staff years -- an increase of 26 from the current 1990 estimate of 1,106 staff years. This increase represents net changes in requirements, with increases in the Field, primarily for CDBG Entitlement Grants and Urban Homesteading, partially offset by lower requirements in Headquarters, including oversight of the UDAG program.

Conclusion

Mr. Chairman, that concludes my opening remarks. I will be happy to answer any questions that you might have.

COMMUNITY DEVELOPMENT BLOCK GRANTS

Mr. **Traxler**. The fiscal year 1991 request for Community Development Block Grants is $2,756,000,000. Once again, I note the level requested for Community Development Block Grants has been decreased from the current year appropriation. There seems to be fewer dollars every year, but more communities dividing the funds, and more functions with which to use the funds.

For the fiscal year 1991 appropriations you propose several new functions for CDBG grants, including new homeownership initiatives, more homeless activities, new construction, and to pick up after the section 312 program which you propose to terminate. With new opportunities for the communities, good opportunities, I might add, every one of those are worthwhile initiatives, shouldn't you have more money?

Ms. **Kondratas**. I suppose the level of funding is purely dependent on the fact that fiscal restraint is needed and things had to be kept down wherever possible, because the Secretary has certainly stated his strong support for the Community Development Block Grant program.

In terms of new activities, it is not that we expect the communities to do all those additional activities with the limited amount of funding that they have, but simply that we want to increase the flexibility of the program so that they would have the opportunity to have more choices. It is not that we expect more to be done with the same amount of money or with less money.

Mr. **Traxler**. I will bet if we doubled the amount the communities would love you.

Ms. **Kondratas**. And I would be very happy to administer it.

TARGETING CDBG FUNDS

Mr. **Traxler**. According to the budget justifications on page A-3, HUD is proposing legislation to better target CDBG funds to low- and moderate-income people. The propcsal includes several elements, including raising the benefit requirement to 75 percent, using proportionate accounting, and requiring 100 percent of the activities in affluent communities to benefit low- and moderate-income persons, but I think those suggestions may be in trouble.

What do you understand the situation to be?

Ms. **Kondratas**. I think we are going to prevail, because I think that much of the opposition to our suggestions has been the result of misinformation and an insufficient discussion for communities to feel comfortable with our proposals. We are reviewing the proposals, and we are reviewing some of the objections that have been raised.

Some of the objections have been either exaggerated or are false impressions. To the extent that they are real concerns, we are trying to address them. When we resubmit the legislation, many of the concerns will be addressed. Proportional accounting is very important because it is simply honesty in accounting.

It is not really going to change activities very much. We simply want to be sure that the amount of money spent on low and moderate income benefit is actually what is reported to Congress, so we would have a better idea where the money goes. Raising the target to 75 percent is important, and we will explain why when we present our legislative proposal to the Congress.

When the program was started, low and moderate income was much more nearly equivalent to the poverty line than it currently is. Just as the rich have been getting richer and the poor have been getting poorer, because median income is dependent on relative incomes, moderate and low income levels have risen far beyond what they used to be in relation to the poverty line.

So we feel increased targeting is appropriate to make the program meet its primary objective of benefiting low and moderate income Americans, considering that the poor are being left very far behind in the economic recovery.

The 100 percent target for affluent communities we have almost decided to drop, simply because there is no good definition of affluent. As we went through various formulas for determining affluence, and as a result of discussion with various groups, we decided that the concept may be difficult to put into practice. We think it is good in principle, but if it is difficult to put into practice, we certainly don't want to burden communities with yet another requirement.

Mr. **Traxler.** Mr. Green.

Mr. **Green.** I know the question of accounting sounds simple and the phrase flows freely. I can remember the urban renewal program, a percentage to which a given community improvement paid for by the municipality served or didn't serve the urban renewal area, and thus could count for the noncash local match.

I want to suggest to you it is not going to be quite as simple. I hope we plan to put on a significant staff to monitor this, because it is a very complex problem.

Ms. **Kondratas.** You know, Mr. Green, we have looked at that with the communities that have expressed concern, but in the CDBG program, we currently require communities to do that kind of accounting. In fact, we have reviewed the forms that we make them fill out when they report to us on what they have done, and with one or two changes—we wouldn't even have to add to the number of lines on the forms.

There are just one or two changes that would need to be made that would enable us to get the information we need from the reporting as it currently exists. Quite frankly, as we were going through the reporting, burden we have placed on communities, I was shocked that the burden is as great as it is now.

We are certainly not interested in adding to it. In fact, we are thinking of getting a group together of our grantees and HUD staff to see how we could simplify the reporting burden in the program and not add to it. Because the program currently does have requirements for meeting a certain percentage benefiting low and moderate income persons, much of that reporting is already in place. We would just be adding it up a little bit differently.

LOCAL FLEXIBILITY

Mr. **Green.** You were quoted in the March 19th Housing and Development Reporter as saying, quote, "We believe it is appropriate for the Federal Government to set priorities for spending Federal resources within the framework of local flexibility and control to address locally established priorities."

Was it this proposal you were referring to?

Ms. **Kondratas**. Yes, absolutely. As I mentioned, adding eligible activities serves to increase local flexibility. We do want to have as much local flexibility as possible and as little Federal micromanagement as possible, but as I explained, because of what is happening to the poverty population, because of the change in economic conditions today, we feel that the Federal priority of serving low and moderate income persons should be given more emphasis in the program.

Mr. **Green**. Thank you, Mr. Chairman.

Mrs. **Boggs**. Mr. Chairman?

Mr. **Traxler**. Yes, Mrs. Boggs?

CDBG TO BENEFIT THE DISADVANTAGED

Mrs. **Boggs**. Of course, the League of Cities and the Conference of Mayors are two of the leading groups that have been concerned about this, and the present Vice President and oncoming President of the League of Cities, Mayor Barthelemy of New Orleans, had a meeting with Secretary Kemp when he was up here at a League of Cities meeting, and in a newspaper story that ensued from that meeting, the mayor said that he told the Secretary that mayors share many of his goals of using the $3 billion grant program primarily to benefit the disadvantaged.

The program, which provides New Orleans with about $13 million a year is one of the last direct urban assistance programs surviving, and the mayor went on to say that iron-clad rules might be counterproductive.

He said that some of the funds in the New Orleans block grants have supported day care and teen pregnancy programs, that primarily but not exclusively benefit the disadvantaged, and he says that we don't want to be put in a situation that we can't fund day care because only 60 percent of recipients meet the Federal Government's criteria. He also said if we do that, that 60 percent won't get the day care while the others probably would be able to find it for themselves.

Ms. **Kondratas**. I was present at that meeting with Mayor Barthelemy and the other representatives of the various groups that are concerned about this, and I would like to say that that is quite an accurate representation of the concerns that were raised, but I think, again, they emanate from a misunderstanding. It wouldn't be a project-by-project requirement for the 75 percent targeting, and it wouldn't reduce any of the activities that are currently eligible, so in terms of flexibility, it doesn't make any changes at all.

We would still have the three-year period over which the targeting requirement needs to be met. Project activities that lead to 100 percent benefit could be offset with a project that was only 50 percent or 51 percent targeted, and so the flexibility is there. In fact, our initial analyses show that even with proportional accounting and 75 percent targeting, one third of all urban counties would not have to make any changes in their programs whatsoever.

Another third would only have to change three to six percent of their activities, and it is only one third that would have to make more substantial changes. If that is the case, then one might say that most communities are using CDBG very, very well, and they are targeting very well, and proportional accounting gives us a more accurate picture. The other third of the communities should come into line with what the rest are doing and what the program is really meant to do, so I don't think our proposal would create major problems.

There is one area where I think the concerns have been legitimate, and we will probably be making a modification of our proposal to meet them and that is in the area of benefit activities. One of the concerns that we share is that infrastructure development not be discouraged, particularly in rural areas where it is absolutely necessary for economic development. We are looking into how we can modify our proposal to meet our targeting objective and still not discourage that kind of activity.

That is why I said earlier—I wasn't being facetious—that I hope by the time we do submit the legislation we will have, if not the active support of the organizations that have expressed some concern, at least not their opposition, because the major concerns we do plan to address. We do like the program; we think it works very well. Our only interest is in making it work better.

NEW CONSTRUCTION IN CDBG

Mr. **Traxler**. Another legislative proposal is to allow new construction under the CDBG program. Why do you think that is important?

Ms. **Kondratas**. Well, there are a number of communities, particularly in the West and some in the South, that maintain that they do not have housing to rehabilitate, and yet they have serious affordable housing shortages for low income persons.

A number of communities that have raised this issue to me that said we really need to be able to do new construction with CDBG monies. In those communities that don't need that, the fact that it is an eligible activity doesn't mean that they would have to do new construction. It would simply make it eligible, so our program would better serve the needs of areas that do not have a stock of aged housing that can be rehabilitated, those areas that need to produce new housing for low income persons.

So I think it just increases the options of program managers. It doesn't put any requirements on any communities.

Mr. **Traxler**. Some of the critics, of this proposal allege that it would allow the Department to make reductions in the housing programs. How would you respond to that?

Ms. **Kondratas**. I suppose the way I would respond is that that is certainly not a necessary corollary. I think the history of relations during the last ten years between the Federal Government and other levels of government that may have given rise to a suspicion that is not necessarily warranted.

In our proposing this addition to eligible activities of the Community Development Block Grant program, we have absolutely no ulterior motive. We simply want to make it an eligible activity to make the program more flexible.

Mr. **Traxler**. Would this be coordinated with Housing in any way?

Ms. **Kondratas**. Only to the extent that we coordinate everything with Housing, that we meet and discuss issues of common concern. We would not coordinate with Housing in the sense that, well, now that we have made this eligible, you can do less in this area, no, we would not be doing anything like that.

Mr. **DelliBovi**. Mr. Chairman, if localities had the flexibility to use CDBG money in this fashion, we believe that it would probably result, in proposals that would call for coordination and using other forms of assistance, and we certainly would be receptive to those creative solutions.

CDBG INDIAN FUNDING

Mr. **Traxler**. Based on the HUD Reform Act of 1989, beginning in 1991, Indian Tribes will be funded from the entitlement funding category. Up to one percent of the total CDBG appropriation can be set aside for awards made on a competitive basis to these tribes. We find that on page A-5.

What type of criteria will be used to determine which tribes will receive the awards, and is that the same criteria you have used in other years?

Ms. **Kondratas**. I don't think that we have completely thought all of that through. Currently we have been worrying about how we are going to fund the Indian Program in 1990 and working on a technical amendment to make sure that the program doesn't get shorted in 1990. We have not gotten to the point yet where we are developing criteria, but certainly when we develop those criteria, we will be sure to inform the Committee immediately.

Mr. **Traxler**. Have you figured out how we are going to fund the Indian programs in 1990?

Ms. **Kondratas**. I think the technical amendment, if it is not already submitted, will be submitted shortly.

TECHNICAL AMENDMENTS

Mr. **Traxler**. Technical amendment. Submitted for what? What are you going to include it in?

Mr. **Kliman**. There are two technical amendments kicking around. One is an amendment to the authorization bill, which will be going up shortly to deal with not just the 1990 problem but also with some problems that the lawyers have with how it reads for 1991. There is another technical amendment kicking around that we have supplied to the appropriations committees, both House and Senate, at their request to solve the problem for 1990 only.

Mr. **Traxler**. That is the answer I want.

You estimate that 95 awards are going to be made to the tribes in fiscal year 1991. How many have received funding in 1990?

Ms. **Kondratas**. I am uncertain of the 1990 estimate.

Mr. **Traxler**. You can supply it for the record.

Mr. **Kliman**. The justification estimates $26 million in 1990 but I do not know the number of awards.

Mr. **Traxler**. That will be the estimate. For the record, if you have been able to make any payments, let us know. I don't think you have.

[The information follows:]

Number of Tribes Receiving CDBG Assistance in 1990

As of May 1, 1990, no Indian tribes have yet received 1990 funding. The Department lacks authority to make awards for 1990 until a technical amendment is enacted.

NEIGHBORHOOD DEVELOPMENT DEMONSTRATION

Mr. **Traxler**. For fiscal year 1991 no funds have been requested for the Neighborhood Development Demonstration. According to page A-6 of the justification, three funding rounds have taken place through 1989. An additional ~~$1.9~~ million was appropriated for use in 1990.

When do you think you will have a funding round to distribute the $1.9 million?

Ms. **Kondratas**. I am not sure of the timing of the funding round. The NOFA is out right now, Syl when are the applications due?

Mr. **Angel**. We expect the applications back about the latter part of May. The application due date is May 15, 1990.

Ms. **Kondratas**. So then the money will be available, sometime during the summer.

SECTION 108 LOAN GUARANTEES

Mr. **Traxler**. You are proposing again the termination of the Section 108 program, which authorizes the issuing of Federal loan guarantees of private market loans used by local governments to cover large costs, such as the acquisition of real property. Do you think that is wise?

Ms. **Kondratas**. In many instances there is no particular need for a municipality to have the Federal Government guarantee loans that it receives in the private sector. In most cases the municipality can obtain loans on its own.

Second, it is also very difficult for the Federal Government, as we have experienced in many different programs over the years, to administer guarantee programs of that nature. The wisest economic decisions are not made when the guarantor is a third party that is distant from the local decision making process.

UDAG STAFFING AND RECAPTURES

Mr. **Traxler**. Why do you need 36 FTEs in headquarters to administer the UDAG program? I appreciate that you need some people involved in closeout, but is 36 excessive?

Ms. **Kondratas**. First of all, there will heavy responsibilities in administering ongoing projects of the UDAG program. I take this opportunity to raise an issue that I was going to raise a little bit later anyway. There was a lawsuit in Boston that was decided against HUD last week which might have implications for the UDAG program.

It was determined that HUD could not terminate UDAG grants without a hearing process, which has never been done in the history of the UDAG program. As a result, we may not be able to recapture the $50 million we thought we would be able to recapture to transfer to the CDBG program.

We are having this court decision analyzed right now, but if the court decision has wider ramifications than simply this one case, we may have a much slower recapture rate than formerly estimated.

Furthermore, in addition to the heavy workload for the next five years in terms of administering UDAG programs and monitoring them and making sure they are managed in compliance with Federal objectives, there is also the monitoring of UDAG repayments that needs to be done which will be ongoing even after the program is ended.

Moreover, we intend to utilize the UDAG staff as an economic development staff. There are other new economic development activities, including public-private partnerships which will be made the responsibility of that office. Also some of the Community Reinvestment Act responsibilities of HUD will be taken over by that office, so we feel that we have a strong need for that many staff in the UDAG program.

Mr. TRAXLER. Mr. Green?

UDAG BOSTON COURT CASE

Mr. GREEN. Thank you, Mr. Chairman.

How much is the Boston case itself involved?

Ms. KONDRATAS. How much in the Boston case? How much money? $530,000.

Mr. GREEN. What is your total exposure if all the cases we have terminated should wind up in litigation?

Ms. KONDRATAS. Well, for this year certainly it could go up to $50 million, but if it actually applies to anything we have ever granted in the past where we have terminated without a hearing being held, it could affect the entire UDAG program from the beginning in all cases where it wasn't a mutual decision that terminated the grant; but as I said, we have no clear answer on this because this is an issue that just came up last week, and we are having it evaluated by OGC.

Quite frankly, the initial meetings are like all lawyers' meetings. They go through an awful lot of ground to determine whether it affects only the first circuit and not the others and whether it has this implication and that implication. As soon as we know, we will want to work very closely with the Committee, not only because it will affect UDAG management—and UDAG staff time for that matter—but also because it may affect our ability to transfer money to the CDBG program in this fiscal year.

Mr. GREEN. Is it possible that you will seek legislation at least to put to rest the cases that seem to be at rest?

Ms. KONDRATAS. I don't rule out any solutions because I don't know the extent of the problem at this moment, but we certainly want to come to some resolution.

Mr. **Green**. Again, what time frame are you giving yourself in each instance?

Ms. **Kondratas**. I would love to say—as the Secretary always does—tomorrow we will have the answer. If I can prevail upon OGC to give me an answer that quickly, I will, but in any case I would certainly like it in the next few weeks.

Mr. **Green**. It might be something we would want to address in our markup.

Mr. **DelliBovi**. We will try to get an answer as quickly as possible.

Mr. **Green**. We are on UDAG, I gather—I was interested in a report on your overruling the regional office on the condition of the CDBG block grant in Compton, California because of the city's failure to resolve a UDAG audit finding. Maybe just for the record if you could submit an explanation for what the process was.

Ms. **Kondratas**. All right, I will. I can assure you that the thought process was not entirely my own. It had to do with counsel's opinions about HUD's ability to connect those two programs. I will certainly submit it for the record.

[The information follows:]

Background of Compton, California CDBG Grant Condition

The Field Office having oversight responsibility for the City of Compton's CDBG program had recommended placing a condition on the City's fiscal year 1989 CDBG grant. The proposed condition would have required the City to resolve an audit finding made by the HUD Office of Inspector General with respect to a Septeber 1988 UDAG project. Since the inception of the CDBG program, the Department has continued its exercise of the power of conditioned CDBG grants to instances of non-compliance in the conduct of CDBG funded activities. Since the Compton case involved deficient performance in activities not funded with CDBG, the Field Office recommendation was not approved.

URBAN HOMESTEADING

Mr. **Traxler**. As part of the HOPE initiative, you are requesting a $50 million appropriation for the Urban Homesteading Program for fiscal year 1991 to promote increased homeownership. You plan to double the number of properties conveyed to an estimated 2,780, and that is all found on page C-2.

Will this increased funding level allow HUD to meet the demand for funds, and how are you going to distribute those funds?

Ms. **Kondratas**. We will probably be distributing them exactly as we are distributing them now. We have always had far more requests, far greater demand than we have been able to satisfy. It remains to be seen whether this will fully satisfy the demand, but it will certainly go a long way towards satisfying it.

Mr. **Traxler**. Do you have enough staff to manage the increased workload?

Ms. **Kondratas**. I think we will manage with what we have. On the other hand, I must say that not only in this program but in a number of others, and particularly in the field I have had some concerns about our ability to both monitor and manage effectively.

RENTAL REHABILITATION GRANTS

Mr. **Traxler**. According to D-1 of the budget justification, you are proposing that communities with designated housing opportunity zones and approved barrier removal plans under the HOPE initiative will receive bonus allocations of rental rehabilitation monies. Of the estimated 8,600 units you plan to rehab in 1991, how many will go to communities with housing opportunity zones and barrier removal plans?

Ms. **Kondratas**. It is very hard to determine that right now, because we don't know exactly how housing opportunity zones will use the rental rehab monies but the HOPE legislation provides that such grantees would be given a 10 percent bonus over what they regularly, normally would receive.

The 10 percent bonus for the communities with housing opportunity zones would reduce the total available for the other communities by that amount, but otherwise the funds would be distributed by the formula we currently have.

It is just that the communities which get a 10 percent bonus would clearly reduce the overall pot for the remainder of the communities.

Mr. **Traxler**. In our 1990 appropriations act we included a provision that the highest priority for vouchers had to be given to eligible families already living in rental rehab projects who are physically displaced or are required to pay more than 35 percent of their income for rent. How many of the vouchers for fiscal year 1990 will be given to these eligible families already living in rental rehab projects?

Mr. **Cohen**. I think the estimate is somewhere around 9,000 in new voucher or certificate authority. Another 9,000 vouchers or certificates will be used from the turnover of PHA's existing vouchers or certificates for a total of 18,000.

Mr. **Traxler**. Provide for the record the number of vouchers and the certificates provided for the rental rehabilitation program in 1989.

[The information follows:]

Number of Vouchers and Certificates Provided for the Rental Rehabilitation Program in 1989

Approximately 15,000 vouchers and certificates were used for Rental Rehabilitation projects in fiscal year 1989.

LOWER INCOME TENANTS

Mr. **Traxler**. The rental rehabilitation program requires that 70 percent of the funds be spent to initially benefit lower-income tenants. Question, what percent of the funds spent do-benefit lower income tenants and is it higher than 70 percent?

Mr. **Cohen**. It is higher—92 percent of all assisted units are initially occupied by lower income tenants. In fact, 75 percent are initially occupied by very low income tenants.

Mr. **Traxler**. What is the period of time that a unit must benefit a lower income tenant?

Mr. **Cohen**. Well, there is no specific requirement since rent controls are normally forbidden in the program. It is expected that a project would not be selected for assistance unless it would remain affordable and continue to have low income residents for a period of at least seven years.

Mr. **Traxler**. Is it logical to assume that these units do roll over to more affluent tenants?

Ms. **Kondratas**. If I could address that, I think that the fear has always been there, but the nature of the housing and the nature of the neighborhoods in which most of these projects are located are stable, low income neighborhoods, which means that the market rents in that area are generally affordable to lower income persons.

About 88 percent of all units were initially affordable to lower income tenants. (About 4 percent of tenants with vouchers choose to pay more than the FMR.) Annual rent surveys indicate that 83 percent of rental rehabilitation units continue to rent at affordable levels even four and five years after initial occupancy, despite the absence of rent controls.

I think the record of the program shows that these are not changing neighborhoods nor is the program promoting yuppification of those neighborhoods. They are simply stable lower income neighborhoods where the market dictates the level of the rent, and the units tend to remain in the low income housing stock.

On the other hand, there is also some flexibility for the low income tenant because, of course, the rental subsidy is tenant-based, so even if the rent is even a little bit too high for that person, he is free to look for other housing and take his rental assistance with him.

This also gives an incentive to the landlord to keep the rents low if he wishes to keep the building occupied.

Mr. **Traxler**. Provide for the record the number of units that have been available or remain available for lower income tenants.

Ms. **Kondratas**. I will do that. I am confident that it will be most of the housing.

[The information follows:]

NUMBER OF UNITS AVAILABLE FOR LOWER INCOME TENANTS IN THE RENTAL REHABILITATION PROGRAM

One of the objectives of the Rental Rehabilitation program is the long-term affordability of rehabilitated units, which is designed to be achieved through the neighborhood selection criteria. The program, we are finding, is very successful in meeting this objective. Approximately 108,240 units (88 percent) rehabilitated, cumulatively, had initial rents that were at or below the applicable local Fair Market Rents. The 1989 Rental Rehabilitation Program Rent Survey found that about 102,090 units (83 percent) completed prior to October 1, 1988, continue to rent at affordable levels even 4 and 5 years after initial occupancy, despite the absence of rent controls.

SECTION 312 REHABILITATION LOANS

Mr. **Traxler**. Your budget proposes terminating the section 312 loan program. The justification states that this program duplicates other rehabilitation funding sources, such as the CDBG program, and there are more effective means of providing rehab assistance.

What are some of those other alternatives that are effective?

Ms. **Kondratas**. Well, besides the CDBG program, there are a number of new programs in local areas, some locally funded and some state funded. There will be additional activity by banks because of all the savings and loan reforms and other legislation such as the Community Reinvestment Act, so there should be a lot more private sector funding available for low income housing rehabilitation than has been the case in the past.

In any case, I think the reasoning for the elimination of the 312 program is not only availability of other financing sources. Again, it is a desire by the Administration to reduce as much as possible long-term unpredictable liabilities of the Federal Government and to get the Federal Government out of the credit business to the extent possible.

Mr. **Traxler**. Is it fair to say the section 312 program is the primary source of lending for those who are utilizing the urban homesteading program?

Ms. **Kondratas**. Yes, it is.

Mr. **Traxler**. You are asking for an additional $25 million for that program?

Ms. **Kondratas**. Yes.

EMERGENCY SHELTER GRANTS

Mr. **Traxler**. For fiscal year 1990 you requested $125 million for the Emergency Shelter grants program, and Congress only provided $73,698,000. The fiscal year 1991 request is $71,687,000, which is about $2,000,000 below the 1990 appropriated level. The justification says that is sufficient to maintain a comparable level of shelter support as in 1990. How did you reach that conclusion? How is $2 million less, equal or better?

Ms. **Kondratas**. Partly because of the drawdown rates in the program, partly because we have not reduced the funding in that program without having increased the funding in our Transitional Housing Program.

I think the decision that Congress made last year was a wise one. It is definitely time to get the Federal Government out of maintaining a permanent homeless population in an infrastructure of emergency assistance and develop more preventative measures and solutions to the problem. All of the reduction in the Emergency Shelter Grant program represents an increase in the Transitional Housing program.

To the extent that we are able to get families in particular out of emergency shelters and into transitional housing, the level of services does not decline at all, and the quality of services will certainly improve.

Mr. **Traxler**. Have you explained that to my dear friend and colleague, Mr. Vento?

Ms. **Kondratas**. I have not had the opportunity to do that, but he hasn't asked.

Mr. **Traxler**. He asked me. Let's say he tells me. How much did you request from OMB on this program?

Ms. **Kondratas**. I am sorry?

Mr. **Traxler**. What was the OMB request on this program?

Mr. **Kliman**. On that program? One moment.

Ms. **Kondratas**. If I recall, I think we first went in with a full funding request.

Mr. **Kliman**. $125 million.

Ms. **Kondratas**. The reason we asked for funding at the authorized level initially was not because we thought that best, but because we had presumed that since President Bush wanted to fully fund McKinney, that meant as authorized. We thought if we submitted a request different from the actual authorization levels of the various programs, that it would be construed that the President was not meeting that pledge. But they apparently thought differently at OMB, and when we saw the OMB passback with the revised figures, we were certainly very supportive of that change. Overall McKinney is more than fully funded.

Mr. **DelliBovi**. Mr. Chairman, it is interesting to note that since 1988 through 1991 that program will have assisted 273,000 beds within emergency shelters, and the underlying view, as we look to the future, is to put in more than just assisting beds, as the Assistant Secretary has pointed out. That may help explain to your colleague, the concerns to your colleague's constituents from Minnesota.

TRANSITIONAL AND SUPPORTIVE HOUSING DEMONSTRATION

Mr. **Traxler**. The transitional and supportive housing program, which is designed to develop innovative approaches providing supportive housing and services, especially to deinstitutionalized homeless individuals and homeless families, has been around for a couple years now, as we note from page F–6 in the justifications.

Do you have any plans to make this demonstration a full-fledged program?

Ms. **Kondratas**. Whether this demonstration or something similar to it becomes a full-fledged program is an open question, because we are doing an evaluation and review of not only of our own programs, but what states and localities are doing and what they need to do to end homelessness.

The administration is committed to trying to end homelessness. We have had a number of proposed revisions and new ideas about how to move beyond our current programs, for example, to serve single homeless persons who are substance abusers.

We are also looking for permanent solutions for families, not simply temporary and transitional ones. On the other hand considering the reasons for homelessness among families, whether domestic violence or economic emergencies of a short-term nature, or other causes, there will always be a need for transitional housing, and so in that sense we expect to see this program or something very similar to it remain with us for a long, long time.

SUPPLEMENTAL ASSISTANCE FOR FACILITIES TO ASSIST THE HOMELESS

Mr. **Traxler**. For fiscal 1991 the justification proposes to eliminate the Supplemental Assistance for Facilities to Assist the Homeless and replace it with Rental Housing Assistance for the Homeless. According to Mr. Humbert's testimony at last year's hearing, the program was working very well, so the question is, why is it being phased out?

Ms. **Kondratas**. The reason it is being phased out is simply to get a little bit more coherence and simplicity in the Federal effort overall. The McKinney Act has been criticized by providers and others for its needless complexity. SAFAH as currently structured adds to the complexity since what can be done with SAFAH funds can also be done with the other programs. In fact, the Congress has considered whether or not we should have a block grant for the homeless rather than the current myriad of programs.

Now, a block grant program is not currently workable, (even though I like the block grant programs in principle simply because we don't have a good idea of the numbers of homeless and their relative distribution. As you know, there is a lot of political controversy about that. There is simply no good method for developing a formula for a homeless block grant program.

On the other hand, I think the Federal Government would be well-served by greater simplicity in this area. In the long run, for families we want to develop permanent housing. That goal can be advanced through the whole range of the Department's affordable housing initiatives. For short-term need, the Transitional Housing program serves families very well. In the Transitional Housing program, 37 percent of the people served are families, and, I believe 34 percent are mentally ill.

For the mentally ill that is not a particularly good program because it ends in 24 months. Many of the mentally ill need services for a much longer period than that. In fact, it is disorienting and sometimes counterproductive to put the mentally ill in transitional housing. They need permanent housing that provides services on an ongoing basis.

Perhaps Transitional Housing will evolve into the primary program for families, and a much more targeted and more responsive and appropriate program can be developed for the mentally ill and substance abusing homeless who might need services and support for a much longer period of time than most families seem to need it.

The Shelter Plus Care proposal for the mentally ill is funded, we can expect to see, perhaps, a reduction in the number of mentally ill served by Transitional Housing, which means there will be an opportunity for more families to be served.

HOUSING THE HOMELESS

Mr. **Green**. I have some impression, I will tell you the source, it was "Down and Out in America," that how long the homeless family stays in temporary quarters is pretty much a factor of the local housing market. In New York it is a very long time, a very tight market. In Chicago it was only a month or two because apparently the market there accommodates people more easily. Is that true generally?

Ms. **Kondratas**. I think that generalization is true. In a place like New York, they may stay longer in the emergency and transitional housing programs than they do in places where they can be more quickly placed in permanent housing.

Nonetheless, I think everybody I have talked to in New York agrees that transitional housing or less expensive alternatives to both emergency housing and welfare hotels would be very appropriate. We can do better, even in tight markets to provide decent shelter for families, even if they don't find permanent housing quite as quickly. But even in markets like New York, it is very rare that families really stay homeless longer than two years, and that is the extent of assistance in our transitional housing program currently.

RENTAL HOUSING ASSISTANCE FOR THE HOMELESS

Mr. **Traxler**. For 1990 you requested $11 million for the supplemental assistance program. Now, for the Rental Housing Assistance for the Homeless program in 1991, you are requesting $161 million, which is an increase of $150 million. Why do you need such a large increase?

Ms. **Kondratas**. Well, that amount of money will only serve 6,600 persons, and regardless how you count the homeless, I think it is very clear that we need at least that much.

Quite frankly, I feel that there is a responsibility on the part of society to provide permanent housing solutions for the mentally ill. I think the mentally ill have dropped through the cracks of our various assistance programs long enough, and just as New York State has a very innovative program and is working in partnership with New York City to combine mental health and housing resources, I think we need to do that at the Federal level as well.

That is what we are working toward. If this program works, it is only a five-year assistance program. There are some areas, and New York would be one that may need longer term capital commitments in order to actually produce more housing rather than simply take advantage of existing housing through five-year rental assistance. We would like eventually to have variations on the program that would serve the needs of different communities.

And that is why under the umbrella of Shelter Plus Care we have not only that $161 million which will serve 6000-plus homeless persons, we also have a Section 202 component and a Section 8 component to see whether to have different types of assistance to help people who need to develop housing in addition to providing services, might not work better in certain areas.

The varied approach will provide information so we could better develop future policy and know what kind of funding increases for the program in the following years would be appropriate.

Mr. **Traxler**. Do you feel you have learned enough from the demonstration program in one year to expand it in this fashion?

Ms. **Kondratas**. I am sorry, from which demonstration program?

Mr. **Traxler**. The Rental Housing Assistance For the Homeless Program.

Ms. **Kondratas**. We have—we haven't had a demonstration for the rental assistance program. What we have done is we have studied what has been done, and I think there is enough——

Mr. **Traxler**. Well, let me put it to you this way. Do you feel comfortable enough in seeing the money expanded at this rate to assure us that it would be wisely used?

Ms. **Kondratas**. Absolutely. I think the need is so great that unless we go to at least that level, we will not have accomplished anything. At the requested level we will see whether this has a chance of working to reduce the numbers of homeless in the country as a whole.

As I said, our major goal is not simply getting the persons off the streets, it is providing permanent solutions for those individuals with longer term problems.

Mr. **Traxler**. Can you do this under existing legislation?

Ms. **Kondratas**. I don't believe that we can do it under existing legislation. We don't currently have anything that provides assistance directly to homeless individuals rating than the provider. This new form of assistance would be is similar to a voucher, although it is not quite a voucher because it melds tenant-based and project-based elements. It is going to be project-based for two years and tenant-based for three years, so if a person can be stabilized and returned to the community, he will have rental assistance from HUD for an interim period.

In other words, HUD makes a commitment to provide housing for 5 years. In return for that HUD will require the local community to provide the necessary services. Whether with Federal money or other money does not matter. We are working with HHS to make sure that there are opportunities to coordinate our programs. CDBG or any other sources that the nonprofit or the local community wants to designate, is fine but the bottom line is we want to tie our housing to services because we know that both are necessary for the homeless.

While HUD's ability to provide services is limited, we feel that HUD has an obligation to provide housing assistance to these very unfortunate Americans.

CHARACTERISTICS OF THE HOMELESS

Mr. **Traxler**. I have seen some numbers on the homeless as to who they are. Let me run this past you and see if this corresponds with the information that you may have.

One number I saw said 25 percent of the homeless are former mental patients, 15 percent are persons who have serious mental problems. I am not sure who the other 60 percent are. Does that sound right in terms of those persons who would have mental illness problems?

Ms. **Kondratas**. The numbers in different studies vary a great deal, variations depend on whether the studies are done nationwide or a national representative sampling basis or whether they are done in local communities using sound methodologies or not so sound, and so on. Also, because smaller communities have different profiles from larger communities. As I said, estimates vary considerably.

I think HUD has fairly accurate national data. These are presented in the Peter Rossi book Mr. Green mentioned, as well as elsewhere. Nationally, if we look at the homeless that have been able to be counted or looked at, whether they are street people or sheltered persons, but in any case the "visible", homeless one third are mentally ill. But only a small proportion of these were institutionalized, so they are the mentally ill that were never institutionalized rather than deinstitutionalized because of our changed institutionalized policies.

Furthermore, according to the National Institute of Mental Health, only 5 to 7 percent of the mentally ill homeless need acute hospitalization. The vast majority of that third who are mentally ill would be able to be stabilized if we had the programs to enable us to stabilize them. In other words, they would be able to participate in the community and live in the community if only we could provide the services necessary for them to get their lives into order.

About another third to 40 percent of the homeless and again in some communities it runs a lot higher, have substance abuse problems. More and more, particularly in places like New York, the problems of the mentally ill homeless and substance abusers are overlapping, so that you have an increasing number of dual diagnosed homeless persons, and their problems become more complex to treat.

You also have an increasing incidence of AIDS among the homeless in some major cities, and that adds to the problems of the single homeless. This is precisely why we have developed and proposed the new program and why we think it is essential to fund it at least at the level we have asked for. It won't serve that many people considering the need. In spite of the fact that families are the fastest increasing segment of the homeless. The vast majority of the homeless still are single persons who have multiple additional problems.

Mr. **Traxler**. Is it correct to say that the population served by the new homeless initiative is the same population served by the transitional and supportive housing demonstration program?

Ms. **Kondratas**. I think some of the population served is similar. The Permanent Housing program, yes. The Permanent Housing program serves almost exclusively the long-term handicapped.

In the Transitional Housing program, about a third of the people we serve are mentally ill. However, there is nothing for substance abusers per se, and a two-year transitional program is not appropriate for this population.

FIVE YEAR HOUSING FUND

Mr. **Traxler**. The budget indicates on page F-10 that the recipients of the assistance would be responsible for developing a five-year housing plan for the homeless individuals and would receive five years of assistance.

Do you plan to enter into contractual agreements with these recipients that will guarantee them five years of assistance?

Ms. **Kondratas**. Yes.

Mr. **Traxler**. How would the recipients be chosen?

Ms. **Kondratas**. Well, the recipients would have to be chosen by the local communities. It is the local community that would be applying for the funding, and the local community applying for the funding and competing with other communities for that funding would have to demonstrate a need which would be easy enough for most communities.

They would have to demonstrate that they have the ability and incentive to do the necessary outreach, because we want to target the shelter population and the street population, so it has to be a community that is capable of doing the outreach necessary to identify the persons and a community that is capable of coordinating the necessary services.

If they are able to do the outreach and they are able to coordinate appropriate services, we will award the rental assistance and promise them that assistance for a five-year period.

Mr. **Traxler**. The justification also states the recipient would have to demonstrate that an individual would have to be able to afford to live in the community while paying no more than 30 percent of his income for rent for the full five years. Homeless individuals do not have a steady income generally or work on a regular basis. How will these providers document the incomes of individuals living in their facility?

Ms. **Kondratas**. In most cases the fact that these people will have been identified and brought into housing will facilitate getting income for these persons. In many cases they are eligible for assistance whether it is SSI or whether it is veterans' benefits or some other kind of assistance, but they may not have been receiving it.

HOMELESS TO EARN INCOMES

We think that such a program would facilitate getting incomes for most of them, and not just public assistance.

In some cases after stabilization, they would be able to get jobs. So part of the case management and the work done with these individuals might be to place them in jobs, in which case they would have incomes.

Clearly, they may not have an income when they start out in the program.

Mr. **Traxler**. Wouldn't the requirement to pay rent adversely affect individuals with marginal incomes? Is that going to be a hindrance?

Ms. **Kondratas**. No, I don't think it is a hindrance. I think, quite frankly, most rehabilitation of homeless persons tries to have them develop budgeting capability and an ability to live within their means and an ability to try to increase their incomes. I have talked to providers who work both with families and with individuals who feel that the ability to pay some portion of income in rent is part of the dignity of being mainstreamed. In fact this approach is consistent with the Secretary's desire in all HUD's anti-poverty initiatives to empower people and to get them off the dole, to let them feel they are making a positive contribution to their own subsistence.

That is a crucial and essential part of the rehabilitation of homeless individuals in mainstreaming them. I think it is consistent with HUD's housing policy towards other low-income persons.

Mr. **Traxler**. Is it fair to say that this program is an extension of other rental assistance programs, with the only difference being you are adding supportive services?

Ms. **Kondratas**. Well, in the sense that it is rental assistance, I suppose it can be described as an extension, but there is a very important difference because it targets a special population. Not only that, there is the addition of services to the assistance. The amount of subsidy may be different as well, depending on the nature of the housing that is appropriate. Hopefully, in the long term it will serve the needs of a special population just as the elderly housing programs serve the elderly today.

SINGLE ROOM OCCUPANCY

Mr. **Traxler**. For the Moderate Rehabilitation Single-Room Occupancy program, the SRO program in fiscal year 1991 you have requested $50 million, which is a decrease of $25 million below 1990's level. We find that on page F-13.

The program seems to be working well. The logical question is why reduce the funding?

Ms. **Kondratas**. I don't have the answer to that question. I will get back to you for the record. It is the one McKinney homeless program remaining in Housing.

[The information follows:]

Funding for SRO Program in 1991

The 1991 request of $50 million is consistent with the amount currently authorized for the SRO program in the McKinney Act Amendments. It is true that this amount is $24 million less than the 1990 appropriation for this program. However, the Administration's basic commitment to homeless support is to fund McKinney Act programs at their authorized levels. HUD's total 1991 request for McKinney program is a substantial increase of $141 million over the $284 million appropriated in 1990.

SHELTER PLUS CARE

Mr. **Traxler**. Thank you.

The Moderate Rehabilitation SRO program is one of the components of the proposed Shelter Plus Care initiative for 1991. The proposed program will provide housing assistance in connection with matching supportive services for the homeless. Will SRO funds be used for these supportive services or will they come from the other components of the Shelter Plus Care program?

Ms. **Kondratas**. The supportive services will come from the matching part. As I understand it, the way the SRO Section 8 Program works, the assistance is rental assistance which enable a private loan to be obtained for rehab because of the long-term nature of the assistance and therefore the long-term reliable income stream which enables loan repayment.

The services would be provided by the matching funds.

Mr. **Traxler**. So it is fair to say, then, that supportive service will not affect the number of units that you are able to provide in 1991?

Ms. **Kondratas**. No, absolutely not.

Mr. **Traxler**. On page F-13 of the budget, you state that the average annual cost per reservation was about $250 more than the estimate. How is that?

Ms. **Kondratas**. Al, do you have that?

Mr. **Kliman**. I will have to get back to you.

[The information follows:]

Explanation of the Average Annual Cost Per SRO Reservation Being $250 More Than the Estimate

Budget estimates are based on overall average experience—what it will cost per room. If final selections tend toward places with higher Fair Market Rents, then the actual annual cost per reservation will be higher than estimated. This was the case in 1989.

SECTION 519

Mr. **Traxler**. Thank you.

The 1990 Appropriation Act carried a new general provision, Section 519. This provision denied CDBG funds to municipalities that permit the use of excessive force against nonviolent civil rights demonstrators. Has anything happened on that? Is there anything you want to tell us about it?

Ms. **Kondratas**. I don't have any comments right now.

Mr. **Traxler**. Mr. Green?

RADON

Mr. **Green**. It was mentioned this morning about radon, that is Section 1091 of the McKinney Act, requiring the Department to develop a policy for dealing with potential radon contamination in assisted housing.

How big a problem do you think this is going to be? Will it be another lead-based paint problem?

Ms. **Kondratas**. First of all, we asked for public comment and advice through a Federal Register Notice. We only got 16 sets of comments and several were from the radon industry, telling us about their services. A Memorandum of Assessment was signed with EPA and an Interagency Agreement was signed with EPA and an Interagency Agreement was executed to conduct preliminary investigations of radon levels in multi-story buildings with different types of heating and ventilating systems to get a better idea of potential problems.

A report has been drafted for the Congress. A second draft has been completed and is now being reviewed and revised. It should be placed into formal clearance by the end of April and transmitted to OMB and then to the Congress, and I trust you will get it before summer, and then perhaps some of these answers will become more clear.

NEW YORK CITY'S RENTAL REHABILITATION PROGRAM

Mr. **Green**. The Under Secretary and I discussed some of the problems New York City is having with the Rental Rehab Program. I now have a copy of a three-page single-spaced letter dated March 30, 1990 from the city's Commissioner of Housing Preservation and Development in which, I guess, the point that you made was conceded, and the city has promised in the future to focus on districts with heavy private ownership of the kind that you describe in your comments.

But obviously the city needs some mercy in terms of trying to put the past program to bed.

Ms. **Kondratas**. Well, I wouldn't put it on a mercy basis. I am very happy to inform you that at a quarter past 12:00 today, I talked with the Commission of Housing in New York City, and we have come to an amicable resolution of that problem, so that the restrictions have been lifted, and we will be proceeding to work cooperatively with New York to implement much of what has been suggested in the letter.

I would also like to say that working very cooperatively with the city, HUD and the city together were able to save all of the 1984–

1985 money that was about to expire, and I think that as of this morning $2,000 was still in question—but basically I think we have saved the entire amount for the city. So I think we are proceeding very well in working cooperatively with the new Administration.

Mr. **Green**. Mr. Chairman, I won't burden in the record with this letter then. Thank you, Mr. Chairman.

Mr. **Traxler**. It has been a pleasure to have you aboard.

Wednesday, April 4, 1990.

POLICY DEVELOPMENT AND RESEARCH

WITNESSES

JOHN C. WEICHER, ASSISTANT SECRETARY

LAWRENCE THOMPSON, EXECUTIVE ASSISTANT TO THE ASSISTANT SECRETARY

THOMAS M. HUMBERT, DEPUTY ASSISTANT SECRETARY FOR POLICY DEVELOPMENT

JAMES W. STIMPSON, DEPUTY ASSISTANT SECRETARY FOR RESEARCH

SUSAN E. WOODWARD, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS

FREDERICK J. EGGERS, ASSOCIATE DEPUTY ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS

PAUL K. GATONS, DIRECTOR, HOUSING AND COMMUNITY STUDIES DIVISION

RONALD J. MORONY, DIRECTOR, INNOVATIVE TECHNOLOGY DIVISION

ROBERT W. GRAY, DEPUTY DIRECTOR, POLICY DEVELOPMENT DIVISION

CHARLES H. TAYLOR, DIRECTOR, BUDGET, CONTRACTS, AND PROGRAM CONTROL DIVISION

ALFRED A. DELLIBOVI, UNDER SECRETARY

ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

JILL KHADDURI, DIRECTOR, POLICY DEVELOPMENT DIVISION

Mr. Traxler. Okay. We are now up to PD&R. John Weicher is the new Assistant Secretary for Policy Development and Research.

[The statement of Mr. Weicher follows]:

STATEMENT OF JOHN C. WEICHER
ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BEFORE THE
SUBCOMMITTEE ON VA, HUD AND INDEPENDENT AGENCIES
OF THE HOUSE COMMITTEE ON APPROPRIATIONS
APRIL 1990

Mr. Chairman and Members of the Committee:

It is a great pleasure to appear before you today to discuss the Department's 1991 Research and Technology request. Our budget submission requests $23 million from the R&T appropriations and $25 million to be transferred from other accounts. Together this funding request demonstrates a recognition by the Department of the importance of the need for basic program information and for the independent evaluation of how well our programs are working. My testimony will describe the projects and activities we plan to undertake to improve the Department's monitoring and evaluation capacity. It will also describe the research we plan to conduct to further Secretary Kemp's six priorities.

I would like to start by describing our proposed monitoring and evaluation initiative, because it is a new area, and then discuss our ongoing research activities. This initiative is an important part of HUD's reform package. It will support the Secretary's promise to eliminate the systemic flaws which have allowed HUD programs to be abused at the expense of those in need. In fiscal 1990, HUD will spend less than $10 million evaluating an annual expenditure of $17-18 billion in grants and assistance. This represents less than 6 cents per $100 of program outlays. In 1990, HUD must fund its evaluations out of PD&R's $20.4 million budget, the major portion of which is non-discretionary because it is dedicated to Congressionally-mandated surveys of general housing conditions. When a new program is created, the ability to evaluate it is dependent on the flexibility of the PD&R budget to absorb new work. By contrast, the Departments of Health and Human Servicees and Education have a long-standing precedent of setting aside a portion (usually one-half of one percent) of program appropriations to fund evaluations.

In enacting the HUD Reform Act of 1989, the Congress signified its support for evaluation and monitoring by authorizing $25 million for that purpose. For fiscal year 1991, however, HUD is proposing to obtain the $25 million by transferring approximately one-eighth of one percent of selected program appropriations to the PD&R budget. The Department believes that improved program performance will more than compensate for the minor reduction in funds available to these programs. These activities will provide the Secretary, the Under Secretary, and program managers within the Department with a variety of tools to improve program performance and prevent waste, abuse, and mismanagement.

It is reasonable to ask what do we get for this expenditure. I think it is important to ask what we will not have without it.

We won't know whether actions taken to eliminate more than 40 material weaknesses at HUD have been successful; for example, whether public housing viability determinations are made correctly in the Comprehensive Improvement Assistance Program (CIAP) or, if rents were correctly calculated in the Section 8 Moderate Rehabilitation Program.

We may not know if new material weaknesses are developing; for example, whether new systems for ensuring the accuracy of Section 8 income certification mechanisms do, in fact, prevent the abuses in payments previously identified.

The activities we plan to undertake with this funding reflect the information needs of Departmental program managers and have been developed in consultation with them. Let me describe some of these activities to you.

First, we plan to build in evaluation and monitoring before we implement programs. As soon as Congress appropriates funds for a new program, PD&R will begin working with program staff and the Office of Administration to determine what information managers need in order to implement and monitor the program. We will begin to develop data systems that will provide this information in a reliable and timely way.

With these resources, PD&R would have been able to begin evaluations of the McKinney Act homeless assistance programs immediately instead of waiting until four years later. Both the Administration and the Congress have had the intuitive feeling that homeless assistance resources should be retargeted from emergency activities to activities which create permanent solutions, but because these program have not yet been evaluated, it has not been possible to make informed recommendations about policy shifts.

HUD could also have created baseline data for the Nehemiah Grant Program and the Section 8 Project-Based Assistance as part of the implementation of those programs.

With these resources, PD&R will begin setting up the necessary data and monitoring systems to collect baseline data for our proposed HOPE initiatives, quickly upon enactment. These initiatives include HOPE Homeownership Grants, Shelter Plus Care for the Homeless, HOPE for Elderly Independence, Housing Opportunity Zones, Enterprise Zones, Operation Bootstrap, and Preservation of "At Risk Properties."

Second, with the resources of this initiative, the Department will use existing data to monitor programs more effectively. HUD collects useful information in its program data systems but often lacks the resources to use the data. For example, HUD has collected data on the modernization of individual public housing projects back to the 1970's, but does not currently have the resources to determine whether the same projects receive repeated funding. Under this initiative, we will be able to target our CIAP resources more efficiently and help preserve projects without wasting resources on piecemeal modernization. As another example, as part of the Secretary's Operation Occupancy to bring the public housing stock to its full utilization, PD&R recently completed work to identify PHAs with high public housing vacancy rates, so that these PHAs could be targeted for further attention to encourage them to take the necessary actions to return the units to occupancy. With the resources of this initiative, HUD will be able to identify vacant units earlier and develop a program of corrective actions to turn these units into productive housing.

Third, this information will be used to augment and improve existing program data for monitoring and evaluation. For example, HUD currently lacks data on the economic and demographic characteristics of the 4.5 million tenants in assisted housing, even though there is a Congressional mandate to publish this information annually. The absence of usable information about Section 8 tenants has been identified as one of the Department's major material weaknesses. PD&R is currently undertaking two projects to partially fill this gap, one which identifies those receiving housing assistance through project-based programs and one which will help identify those receiving assistance through Section 8 certificates and vouchers, linking both to tenants surveyed through the American Housing Survey. While these efforts are valuable, they will still only provide a partial picture of the 4.5 million tenants living in assisted housing. As another example, because of a decision in the early 1980's to stop collecting data on vacancy rates in insured projects, HUD did not have data which could have warned the Department about potential defaults in the coinsurance program.

The need to improve current data systems is especially critical, given the Department's new statutory mandates under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). FIRREA imposes new reporting requirements on FHA to insure that lenders are performing their responsibilities in a nondiscriminatory manner. Careful design work will be needed to ensure that data collected meets the FIRREA requirements and also helps to monitor the Home Mortgage Disclosure Act and Fair Housing responsibilities of our lenders. My staff has already begun this process and are currently working with the Offices of Housing and Fair Housing and Equal Opportunity and the Federal Financial Institutions Examination Council to implement HUD's Home Mortgage Disclosure Act data collection responsibilities under FIRREA.

Fourth, this funding will be used to develop and track special samples to provide crucial information for policy and management decisions. For example, the Department knows very little about the current characteristics of the assisted multifamily projects which it insures. PD&R is currently conducting a follow-up survey to its 1985 study of insured multifamily projects, adding projects built after 1973, and collecting better information about occupancy, financing, owner characteristics, and local market conditions. This way of collecting the information is quite expensive and much less efficient than creating an ongoing data base because each time we do a follow-up study we must gear up again. With the additional requested resources, surveys such as this one will be conducted periodically. In addition, we will be able to obtain representative samples of complete universes and obtain substantially more detailed information. With this initiative, HUD will be able to better identify the projects that are likely to prepay and implement policies to avoid prepayment. In addition, this information will be used to meet the mandate of the Reform Act to identify the capital needs of distressed multifamily properties and to analyze how well our current programmatic tools are for correcting this distress.

Finally, the evaluation and monitoring initiative will expand the Department's evaluation capacity significantly. Current budget constraints severely limit our evaluation activities. These resources will allow PD&R to evaluate its major current programs, which either have never been evaluated or have not been evaluated within the last five years. This initiative will enable us to reevaluate these programs on a periodic basis. PD&R would have been able to evaluate the Section 8 Moderate Rehabilitation and FHA Coinsurance Programs and to point out the flaws that have become so apparent. We will be able to evaluate the Section 202 elderly and handicapped program, the Fair Housing Amendments, the Performance Funding System, and the CDBG entitlement program. We will also be able to expand the range of issues being considered or the extent of data being collected in our currently planned evaluations. For example, because of budget constraints, the current Housing Discrimination Study is limited to national estimates, while the original 1977 study produced national and regional estimates.

I would now like to turn to the activities we plan to undertake as part of our 1991 research agenda which will further Secretary Kemp's six priorities. The content of the research agenda is based on consultation with the program Assistant Secretaries and program office staff and will provide all of us with the information we need in order to know how well these priorities are being addressed.

In support of the Secretary's goal to expand homeownership and affordable housing opportunities, we will be evaluating the role of non-profit organizations in the creation and production of affordable housing. We will also begin evaluation of the three HOPE grant homeownership programs.

Also in the area of affordable housing, we will extend our evaluation of the Low-Income Housing Tax Credit to look at the most recent experience. In addition, the assistance we are providing to support the Secretary's Advisory Commission on Regulatory Barriers to Affordable Housing will continue through part of next year. This blue ribbon commission has been charged by President Bush with identifying regulatory barriers and making recommendations on Federal, State, and local actions that can be taken to eliminate or modify excessive, duplicative or unnecessary regulations that increase the cost of housing.

We will continue development of single family and multifamily mortgage default prediction models. An extensive analysis of the underlying causes of FHA defaults (for example, regional location, low downpayment) will be undertaken. To support this work, PD&R will initiate studies of the sources of house price variations. These studies will help us project future housing price trends. PD&R will also develop an evaluation framework for FHA's new delegated processing program for multifamily insurance.

PD&R's new responsibilities under FIRREA also support the goal of affordable housing. As a result of FIRREA, PD&R's oversight responsibility for the nation's housing finance system has been greatly expanded. As assistant Secretary for Policy Development and Research, I serve on the Regulatory Review Board, a formal advisory group composed of key HUD staff which Secretary Kemp established to help him carry out his FIRREA responsibilities. These responsibilities include serving as a member of the oversight Board of the Resolution Trust Corporation and general regulatory oversight responsibility for both FNMA and FHLMC. PD&R provides the Secretary with the economic analysis he needs to carry out these responsibilities. In the formative stages of the Resolution Trust Corporation, we have detailed two staff members to assist in the development of the RTC's Strategic Plan. We are also now responsible for preparing an annual report on FHLMC, in addition to our current requirement to prepare an annual report on FNMA.

PD&R will conduct an evaluation of the Federal Enterprise Zone initiative as part of our support of the Secretary's goal to create jobs and economic development. Our evaluations of Operation Bootstrap and resident management will also support this goal, because of the job creation components of these two efforts. Our evaluations of the HOPE grant program for public housing and resident management corporations will also contribute to this goal because of the important tenant-based economic development activities funded through these two program.

Our evaluations of the three HOPE homeownership components will help us learn how well we are empowering the poor through resident management and homeownership. These are important initiatives which represent a fundamental change in Federal housing policy and we intend to devote significant resources to these evaluations. We will also be completing work on an evaluation of the costs and benefits of resident management efforts.

In the area of fair housing, we will undertake an examination of the effectiveness of HUD's efforts to desegregate public housing and an assessment of the racial and economic impacts of the Section 8 certificate and housing voucher programs. We will also conduct an examination of redlining issues and the effectiveness of the Community Reinvestment Act. As a result of our work on the Housing Discrimination Study, we will pursue specific research into the reasons for the changes in the level of discrimination for both blacks and Hispanics, closely linking this work to our longer term objective of evaluating the impact of the new Fair Housing Amendments on reducing the level of housing discrimination in America.

As part of the Department's efforts to make public housing drug free, we will assess a variety of program models for combatting drugs in public housing and develop a case study book of successful anti-drug efforts which PHAs can adopt. This work will be a companion piece to our current effort to prepare an anti-drug resource book to help PHAs, resident management corporations, and other public housing tenant organizations to design anti-drug programs.

Finally, as part of the Secretary's pledge to eliminate the tragedy of homelessness, we will evaluate the McKinney Act programs, including the Emergency Shelter Grant, Transitional Housing, and Permanent Housing for the Handicapped Programs. We need to know how well these programs are working and ensure that they are meeting their intended goals.

In addition to this work, we are continuing several activities mandated by Congress in previous years. First, we are in the process of preparing a Congressionally mandated report on the development of a comprehensive and workable plan for lead-based paint abatement. The development of this plan, which must be submitted to Congress by September 1990, requires implementing of a demonstration of alternative methods for abating lead-based paint and a survey of the incidence of lead-based paint in the housing stock. Other proposed activities for 1990, which will meet the Congressional mandate to devote resources to this area, include, as part of the comprehensive plan, a joint project with EPA for the laboratory analysis of soil and dust samples and also further evaluation of spot testing. In 1991, we expect to continue our research plan on lead-based paint, with specific research activities dependent on the results of the comprehensive plan. These various efforts have had a drastic impact on staffing and have taken priority over other research efforts in the building and technology area so far.

PD&R is also required to fund, as part of its annual budget, several Congressionally mandated housing surveys, the most notable and largest being the American Housing Survey. Together these surveys will account for almost two-thirds of the $23 million in new funding requested for under the 1991 R&T appropriation. The AHS is an important part of the Department's operations of the Section 8 certificate and voucher programs and also provides vital general information on housing for Congress and the public.

This brings me to the final point I would like to cover--our staffing request for 1991 for an increase of six full-time equivalents. We need this staffing increase if we are to ensure that the new role given to HUD under FIRREA is implemented effectively. The additional staff would also be used to implement our new evaluation and monitoring activities.

In summary, the 1991 research agenda will provide HUD with the capacity it has never before had to monitor its programs effectively and to conduct evaluations of their successes and problems. To fund significantly less would mean that even the simplest program decisions will have to be made in the absence of information which would improve the quality of the decisions. Both the Department and the Congress would be affected. Thank you for allowing me to describe our plans for the FY 1991 research program. I would be happy to answer any questions you have on our current activities or plans for 1991.

Mr. **Traxler**. Look at the budget request. You want $48 million for the Research and Technology appropriation in 1991, an increase of $27.6 million above 1990; A 1991 staffing level of 147 is requested for PD&R, an increase of 10 above 1990.

EVALUATION AND MONITORING INITIATIVE

The budget request includes $25 million to be transferred from other accounts to support increased evaluation and monitoring activities.

Is this increase to be an ongoing activity or is this a one-time request.

Mr. **Weicher**. We don't see this as a one-time request particularly. We see this as an attempt to earmark a small share of program funds for evaluation and monitoring activity along the lines of what is done at HHS and the Department of Education where they routinely set aside about one half of one percent of program funds for evaluation.

We are talking about one-eighth of 1 percent—the $25 million that is authorized by the reform legislation.

Mr. **Traxler**. Was the idea to transfer small amounts from various programs for the evaluation and monitoring an agency one, or did that come out of OMB?

Mr. **Weicher**. No, it was part of the reform initiative, the Departmental——

Mr. **Traxler**. It makes it more difficult for us to follow the numbers in 1991.

Mr. **Weicher**. I am sure that is true.

Mr. **Traxler**. Section 124 of the 1989 reform authorizes, a direct appropriation of $25 million for evaluation and monitoring. The legend on page I-1 indicates that while HUD's proposal is similar to Section 124, it does not rely technically on that authorization.

We are not sure what you mean by the statement, "doesn't rely technically on that authorization". Are we going to need it?

Mr. **Weicher**. The original request as part of the reform bill, was that a small share of program funds be earmarked. What the reform bill did was to authorize $25 million, but not to take it out of program funds.

What we are proposing here is the $25 million, but to be earmarked out of program funds.

Mr. **Traxler**. Did Section 124 specify that the evaluation and monitoring were to be conducted by PDR or was that simply a HUD decision in——

Mr. **Weicher**. That is a HUD decision essentially.

Mr. **Traxler**. Should this responsibility be given to the Inspector General?

Mr. **Weicher**. I don't think so. We view what we would do as being complementary to what the Inspector General does because the Inspector General does not really monitor programs, does not really evaluate programs in the way we do in PD&R. For instance, we have an evaluation of the voucher demonstration, evaluation of the neighborhood development demonstration and child care demonstration, Mrs. Boggs was asking about yesterday.

INCREASE IN OBLIGATED BALANCE AT END OF 1991

Mr. **Traxler**. The Program and Financing schedule indicates that there will be a $35.2 million obligated but unexpended balance at the end of 1991, which is an increase of $20 million above 1991. Why is there a large obligated, but unexpended balance at the end of 1991?

Mr. **Weicher**. Obligated, but unexpended. That is primarily due to the $25 million increase for evaluation and monitoring contracts.

Mr. **Traxler**. How long do you estimate before the contracts will be expended?

Mr. **Weicher**. On expenditures, we anticipate a three to four year period which is consistent with our past experience.

COMPETITIVE BIDDING

Mr. **Traxler**. What part of the $25 million requested for evaluation and monitoring will be competitively bid?

Mr. **DelliBovi**. Mr. Chairman, we would expect that all that is currently contracted out will be competitively bid. We probably would go out with some competitive task orders, but anything that is out-sourced will be done by competition.

Mr. **Traxler**. What percentage of the dollars in 1989 were competitively bid in the research and technology contracts?

Mr. **Weicher**. I believe we competitively bid just about everything other than the ongoing surveys which we contract for with the Census Bureau. We may have had some small purchase orders in there, but basically everything is either competitively bid or it is task ordered.

STAFF YEAR REQUEST

Mr. **Traxler**. You are requesting 147 staff years for PD&R in 1991, which is an increase of 10 above 1990. Should more of the evaluation and monitoring effort be done by federal employees?

Mr. **Weicher**. Well, we think that much of the work can be done by contract and what we would need are some people who can monitor the contracts. That is the basic connection between the $25 million and the staff years.

Mr. **DelliBovi**. Mr. Chairman, if I may elaborate a little bit, this concept of out-sourcing for monitoring and evaluation is really to bring some special skills that we would not normally have in our work force for certain tasks. This is similar the Section 8 Program that we talked about this morning.

We have reached outside to a contractor to validate our work. We think some new ideas in the private sector properly applied can help us better manage our activities and having this resource or this ability to tap these resources of experiences, information, and knowledge will be very useful to us.

They will not supplant the work that our own employees do, but we do hope they will enable our employees to work at a higher level, to think smarter, as it were.

INPUT FROM PROGRAM AREAS

Mr. **Traxler**. The $25 million requested for evaluation and monitoring efforts is more than a doubling of your current PD&R Program. In the past we have been concerned that there was not sufficient input from the program areas into HUD's research program. So the question is what type of input from the program areas will you be asking for in this increased monitoring and evaluation effort?

Mr. **Weicher**. We have already spoken with—I have met with or spoken on the phone with every Assistant Secretary. The input we have already gotten from them is reflected in the Internal plan that we have been developing. We would anticipate that we would go back to them and flesh out their requests, and the purpose is to be useful to the Secretary, to the Under Secretary and to Program Assistant Secretaries. This comes quite strictly out of the frustration in dealing with the scandals in things we didn't know about what we are doing, the amount of information we did not have, the things we did not know about our programs.

Mr. **Traxler**. Did your $25 million request for evaluation and monitoring come from the authorizing bill or is it a logical rationale based on your best judgment as to what the need is?

Mr. **Weicher**. The original request was for a larger earmark than that, up to ½ of 1 percent if I remember correctly. $25 million was what the authorizing committee gave.

MULTIFAMILY STOCK STUDY

Mr. **Traxler**. One of your major efforts is in the multifamily stock study, and what information do you think might come out of that kind of a study that you don't already know?

Mr. **Weicher**. The original study that we had on this stopped with 1973 projects. We would be updating it for projects began after that date at a minimum. We are trying to get some information on who the people are in these projects. Most of what we know about these projects is financial information about the projects.

We don't know very much about the tenants. We don't know very much about who we are helping at all. That is the biggest thing we would add, as well as more detailed information on the financing so we can go beyond what we did six years ago, what was done in the Hills-Reuss study.

RESEARCH AGENDA

Mr. **Traxler**. On page I–3, you indicate that the research agenda includes developing alternative methods for providing funds for the comprehensive modernization for public housing. I am not sure there are alternative sources for public housing projects, but your budget request had proposed matching funds from state and/or local governments.

What has your research on alternate sources of funding for modernization shown to date?

Mr. **Weicher**. It is not alternative sources of funding so much as it is alternative mechanisms for allocating funds to public housing authorities. This is, in our jargon, the comprehensive modernization grant formula report and the key word is on formula. It is not on source of the funding so much as it is on how to allocate the funds, whatever the funds are.

Mr. **Traxler**. Turning to page I–7, you indicate one of the major roles would be to improve HUD's data systems. For example, the Department does not know the characteristics of the assisted multifamily housing projects which are eligible for prepayment. Will PD&R develop a program to capture this information and have it available?

Mr. **Weicher**. Yes. There are any number of things we don't know that you have asked us for that we are trying to find.

Mr. **Traxler**. Is that a legitimate responsibility of PD&R or is that something Housing should be doing?

Mr. **Weicher**. Well, I think it should be done. It hasn't been done. We have a lot of expertise in PD&R on program data as well as general housing data through the American Housing Survey, and we think and the Secretary thinks that we are logical people to do it.

Mr. **Kliman**. I would just point out that the program offices get a lot of data out of PD&R systems—quite a large amount. I will sit down at times to work on budget material with the program people and the PD&R people to get their data. And it is extremely useful. It is usually good.

Mr. **Weicher**. I hope so.

Mr. **DelliBovi**. Mr. Chairman, we are trying to create as sort of honest broker within the Department for information, and we think that PD&R is ideally positioned because it doesn't have the program bias and can be more objective.

HOPE

Mr. **Traxler**. Turning to page I–8, you indicate that this initiative will enable HUD to conduct a comprehensive set of evaluations, the Secretary's new HOPE proposals. Those proposals wouldn't start until 1991. How can you do an evaluation in the foreseeable future under those conditions?

Mr. **Weicher**. The way an evaluation should work, we should be collecting baseline information as we start so that we know what the situation is before the program begins, and then we would evaluate as far as we could to whatever point the Congress requested the information or we wanted the information.

PUBLIC HOUSING HOMEOWNERSHIP DEMONSTRATION

Mr. **Traxler**. Several years ago the subcommittee reluctantly agreed to allow HUD to undertake a demonstration of the sale of public housing units to public housing residents, and the maximum number was at 2,000. How many have been sold to date?

Mr. **Weicher**. Three-hundred twenty-five have been sold. There is a 242-unit project in Patterson, New Jersey, which is about to be sold, we expect within the month. It has been postponed since the end of last month, and another 120 units in the Virgin Islands and about 20 more scattered units, a total of 700.

Mr. **Traxler**. This is very important to the subcommittee. We understand that there is a report of your consultant that evaluated the demonstration that was submitted to you last year. We also understand it was done by Professor Michael Stegman of the University of North Carolina, and we want a copy of the unabridged, unedited consultants report, and we need that as soon as possible.

Mr. **Weicher.** We have sat down with Mr. Stegman with the draft that he submitted to us in December, and asked for a few changes. He is making the changes and is supposed to resubmit the report to us literally within a couple of weeks.

As soon as we have that report, we will be happy to show it to you.

Mr. **Traxler.** How do we know what is unabridged and what is unedited? I guess I am troubled with that because you are paying a consultant. He files a "preliminary report" with you, then you tell him here are the changes we want made.

Mr. **Weicher.** That is routine contracting procedure. Whenever we have someone outside prepare a report, staff who are involved with it read over the report. It goes to the relevant program offices, as well. We prepare comments. We send the comments back to the contractor or we sit down with the contractor, and we work out what the changes will be that need to be made.

Every point we raised with Professor Stegman, he said fine.

Mr. **Traxler.** Well, we look forward to receiving that.

Mr. **Weicher.** We will have it for you as soon as we can.

Mr. **Traxler.** Thank you.

Bill?

MASONRY RESEARCH CENTER

Mr. **Green.** In the fiscal year 1990 operating plan PD&R Section, it wasn't clear where what happens with the masonry research center. The money was earmarked in the conference report. What is the status of that?

Mr. **Weicher.** The fact that it is not in the operating plan doesn't mean that we weren't intending to fund it. We were trying to—we had several items in the technology area discussed in the conference report: technology in general, lead-based paint and the masonry institute. We have had some not very clear communications back and forth with some of the people in the the masonry industry and in the masonry unions, and we will be working on that between now and the end of the fiscal year.

RENTAL REHABILITATION GRANTS

Mr. **Green.** One final thing. In the Rental Rehab Program, what happens to rebate funds?

Mr. **Weicher.** In the Rental Rehab Program?

Mr. **Green.** Yes. If people do loan type——

Mr. **Weicher.** I am frankly not sure.

Mr. **Green.** If you do it on a loan basis.

Mr. **Kliman.** I was unaware that cities are doing very much on a loan basis.

Ms. **Khadduri.** If in fact the city elects to do loans rather than grants, then the funds are repaid to the city and used for more rental rehab purposes.

Mr. **Green.** That answers my question. Thank you.

Mr. **Traxler**. I have an appointment. Mr. Green is going to conclude the hearing this afternoon. I just want to express my appreciation. Wish you all well. Good to see you.

WEDNESDAY, APRIL 4, 1990.

DEPARTMENTAL MANAGEMENT

WITNESSES

ALFRED DELLIBOVI, UNDER SECRETARY
ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER
HERBERT G. PERSIL, DEPUTY DIRECTOR, OFFICE OF BUDGET

DEPARTMENTAL MANAGEMENT

Mr. GREEN [presiding]. The total request for fiscal 1991 Departmental Management is $853,224,000, an increase of $83,459,000 above 1990. This amount includes $38,349,000 requested for the Office of Inspector General appropriation. Total staff years increased by 725 from 13,493 in 1990 to 14,218 in 1991. The justification indicates 13,493 staff years, including the I.G. in 1990.

[The statement of Mr. DelliBovi follows:]

30-862 O—90——8

STATEMENT OF ALFRED A. DELLIBOVI
UNDER SECRETARY
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BEFORE THE
SUBCOMMITTEE ON VA, HUD AND INDEPENDENT AGENCIES
HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 5, 1990

CHAIRMAN TRAXLER, CONGRESSMAN GREEN AND MEMBERS OF THE COMMITTEE. I AM PLEASED TO BE HERE TO DISCUSS WITH YOU OUR BUDGET REQUEST FOR THE DEPARTMENT'S ADMINISTRATIVE EXPENSES FUNDS. OUR SALARIES AND EXPENSES REQUEST BEFORE THE COMMITTEE IS $806.5 MILLION, WHICH INCLUDES AN APPROPRIATION OF $426 MILLION AND A TRANSFER FROM THE FHA FUNDS OF $380 MILLION. THIS IS AN INCREASE OF $75 MILLION FROM THE AMOUNT AVAILABLE TO US AFTER CONGRESSIONAL ACTION FOR 1990. WITH OTHER TRANSFERS OF $8.4 MILLON, THE TOTAL AVAILABLE FOR SALARIES AND EXPENSES, HUD, WILL BE $814.9 MILLION. WITH THAT AMOUNT, WE ARE REQUESTING 13,668 STAFF-YEARS FOR 1991, COMPARED WITH 12,998 STAFF-YEARS AVAILABLE TO US IN 1990, AN INCREASE OF 670 STAFF-YEARS.

THESE NUMBERS DO NOT INCLUDE THE OFFICE OF INSPECTOR GENERAL, MR. CHAIRMAN, SINCE THAT OFFICE IS NOW FUNDED OUT OF A SEPARATE APPROPRIATION. THE REQUEST FOR THE OFFICE OF INSPECTOR GENERAL IS $37.8 MILLION, AN INCREASE OF $6.8 MILLION OVER 1990, AND WOULD PROVIDE FOR A TOTAL OF 550.4 STAFF-YEARS, AN INCREASE OF 55.2 STAFF-YEARS IN 1991 OVER 1990. INSPECTOR GENERAL PAUL ADAMS IS HERE AND CAN ADDRESS THAT REQUEST AT THE APPROPRIATE TIME.

THE STAFFING INCREASES FOR SALARIES AND EXPENSES ARE IN DIRECT SUPPORT OF THE PROGRAM OBJECTIVES SECRETARY KEMP HAS ALREADY TOLD YOU ABOUT. THE APPROPRIATION REQUEST WILL ENABLE US TO CONTINUE TO MOVE AHEAD WITH THE MANAGEMENT REFORMS WE HAVE STARTED THIS YEAR. SECRETARY KEMP ALREADY HAS REFERRED TO THE SERIOUS STRUCTURAL WEAKNESSES WE FOUND IN OUR PROGRAMS AND THE CRUCIAL NEED TO STRENGTHEN OUR MANAGEMENT ABILITIES. THE REFORMS ENACTED BY THE CONGRESS WILL HELP US GREATLY IN THIS ENDEAVOR. BUT, WE ALSO NEED THE RESOURCES, PARTICULARLY IN A SUFFICIENT NUMBER OF WELL TRAINED STAFF. WE ALSO NEED TO CONTINUE TO DEVELOP AND IMPROVE OUR FINANCIAL AND MANAGEMENT INFORMATION SYSTEMS IF WE ARE GOING TO REMOVE THOSE CONDITIONS WHICH PERMITTED THE TERRIBLE MISUSE OF OUR PROGRAMS IN THE PAST.

LET ME IDENTIFY SOME OF THE MAJOR ELEMENTS OF THE STAFFING REQUEST. OUT OF THE TOTAL INCREASE OF 670 STAFF-YEARS IN SALARIES AND EXPENSES, WE ARE ASKING FOR 460 FOR OUR HOUSING PROGRAMS, 326 OF WHICH WILL BE IN THE FIELD. MOST OF THESE POSITIONS WILL ASSIST THE DEPARTMENT IN MANAGING THE LARGE NUMBER OF PROJECTED MORTGAGE ASSIGNMENTS AND ACQUIRED PROPERTIES UNDER THE SINGLE AND MULTIFAMILY MORTGAGE INSURANCE PROGRAMS. WE EXPECT TO BE RESPONSIBLE FOR OVER $6.5 BILLION IN THESE PROPERTIES AND MORTGAGES IN 1991, A MASSIVE GOVERNMENT INVESTMENT FOR WHICH WE HAVE A MAJOR OBLIGATION TO THE TAXPAYERS TO ASSURE PROPER MANAGEMENT AND DISPOSITION.

THE 1991 STAFFING REQUEST ALSO REFLECTS STAFFING NEEDS FOR CARRYING OUT THE TITLE VIII FAIR HOUSING PROGRAM. STAFFING INCREASES FOR TITLE VIII IMPLEMENTATION IN 1991 ARE PRIMARILY IN THE OFFICE OF GENERAL COUNSEL, FIELD LEGAL SERVICES AND THE OFFICE OF ADMINISTRATIVE LAW JUDGES. THE BULK OF TITLE VIII WORKLOAD IS EXPECTED TO REACH THESE OFFICES IN LATE 1990 AND 1991-- AFTER FHEO HAS DONE THE INITIAL PROCESSING AND INVESTIGATION OF THE COMPLAINTS RECEIVED. THESE STAFF-YEARS ARE ESSENTIAL TO EXECUTE HUD'S MANDATED RESPONSIBILITIES UNDER THE FAIR HOUSING AMENDMENTS OF 1988. AS THE SECRETARY HAS STATED, ENFORCEMENT OF FAIR HOUSING IS A PRIORITY OBJECTIVE OF THIS DEPARTMENT. THE DEPARTMENT'S COMMITMENT IN THIS AREA IS REINFORCED BY CHANGES IN THE LAW, AND OUR WORKLOAD IS GROWING RAPIDLY.

THE REMAINDER OF THE STAFFING INCREASE IS SPREAD AMONG OTHER ELEMENTS OF THE DEPARTMENT, REFLECTING ANTICIPATED WORKLOADS AND BRINGING STAFF APPROXIMATELY TO HISTORICAL LEVELS BEFORE THE 1990 REDUCTIONS. THIS LEVEL OF STAFFING WILL PERMIT US TO CARRY OUT THE PROGRAM OBJECTIVES THAT WE HAVE PROPOSED FOR 1991.

THE OTHER MAJOR SEGMENT WITHIN OUR REQUESTED $75 MILLION INCREASE IN SALARIES AND EXPENSES IS THE $31.6 MILLION FOR AUTOMATED DATA PROCESSING SERVICES. ONE OF THE REAL WEAKNESSES IN THE DEPARTMENT THAT THE SECRETARY AND I ENCOUNTERED IN TRYING TO INTRODUCE REFORM WAS IN OUR DATA SYSTEMS. THE 1991 INCREASE WILL HELP US DEVELOP AND ENHANCE THE DEPARTMENT'S MANAGEMENT AND FINANCIAL INFORMATION SYSTEMS TO BETTER SUPPORT OUR REFORM INITIATIVES. THIS ALSO MEANS CONTINUING THE DEVELOPMENT AND CONVERSION REQUIRED TO INSTALL HIIPS -- THE HUD INTEGRATED INFORMATION PROCESSING SERVICE -- WHICH IS A MAJOR COMPONENT IN IMPROVING OUR SYSTEMS CAPABILITIES. HIIPS WILL TAKE ABOUT 30 MONTHS TO COMPLETE FROM THE TIME THE CONTRACT IS AWARDED, AND WILL RESULT IN SOME MAJOR SYSTEMS CONSOLIDATIONS AND IMPROVEMENTS IN THE LONG TERM. ADP SERVICES ARE FUNDED THROUGH THE WORKING CAPITAL FUND, AS YOU KNOW, WHERE THE TOTAL INCREASE IS $33.8 MILLION. THAT ALSO INCLUDES AN INCREASE OF CLOSE TO $3 MILLION FOR ADP SUPPORT TO THE INSPECTOR GENERAL.

MR. CHAIRMAN, THIS CONCLUDES MY PREPARED REMARKS. I WOULD BE GLAD TO TRY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Mr. **Green**. Does the Department have funds to support the 1990 staffing level?

Mr. **DelliBovi**. Yes.

Mr. **Green**. You are requesting funds to support 14,218 staff years in 1991. Does the 1991 request contain sufficient funds to support that staffing level?

Mr. **Kliman**. Well, as indicated in the budget material submitted to you, there are two little things. One, instead of being forced to absorb 100 percent of the pay raise as we did last year, this year we are only forced to absorb 50 percent of the pay raise.

That is $8.2 million that would have to be made up in some fashion. Then, as also indicated in the Salaries and Expenses justification, there is approximately an $11 million budgeted decrease in the average salary—that is not to say that won't happen, but it is impossible to say at this point what is going to happen.

The last time we looked at some of our administrative expenses this year, I thought we saw the average salary decreasing somewhat. We will simply have to reassess the $11 million as we get into the operating process.

Mr. **Green**. I guess what is troubling is we see in the table for 1990 rising average salary and benefit costs of $13,585,000 followed by a budgeted reduction in average cost per staff year in 1991 or $11,397,000. That seems inconsistent.

Mr. **Kliman**. I agree, and I wish it weren't there.

Mr. **Green**. What would be a realistic cost for rising average salary and benefit costs in 1991?

Mr. **Kliman**. I would have to supply that for the record.

[The information follows:]

Rising Average Salaries and Benefits Costs in 1991

The personal services funding level reflected in the Budget assumes absorption of 50 percent of the proposed 1991 pay raise, or $8.2 million. The Budget also reflects a decrease of $11,397 thousand in average salaries and benefits costs, or approximately 2 percent of the total personal services funds requested.

The total of $19.6 million will reflect a 2.1 percent growth in the average cost per staff-year from 1990 to 1991. This takes into account the effects of increased salary costs in 1991 as well as the large staffing increased proposed in the Budget. Consequently, the $19.6 million additional amount would be more "realistic." However, the Department would seek to manage within the Budget amounts if enacted.

AUTOMATED DATA PROCESSING SERVICES

Mr. **Green**. On page G–4, you indicate an increase of ADP costs in 1991 of $31,645,000. The Department has been requesting increases for ADP costs for the last few years. You have also indicated you were getting a handle on your ADP activity.

Obviously, from the revelations of the past year, and your large ADP request of 1991, what you had previously said about improved ADP operations was not 100 percent correct. Why is it when you have been requesting and Congress has been providing additional ADP funds in the last few years the operation still seems to be in disarray.

HUD INTEGRATED INFORMATION PROCESSING SERVICE (HIIPS)

Mr. **DelliBovi**. The procurement for the HUD Integrated Information Processing Service (HIIPS) has been a difficult procurement. The process has been interrupted a number of times, and we have not even at this point been able to award the HIIPS contract. We expect that the final road block would be cleared during the spring, and we will be able to proceed to award.

Mr. **Green**. That may be the question that the Secretary's Task Force on Program Financial Management does not answer in its work, so how do you know what ADP services to secure if you don't know what changes in the system will be required?

Mr. **Kliman**. That is a quite simple one. The funds requested are primarily for conversion to HIIPS. The HIIPS contract is not for ADP application systems. It is hardware. What we are doing with the HUD Integrated Information Processing Service is getting everything into position, or trying to get everything into position so that all of our equipment can speak to each other and we can get updated equipment.

Then we will be able to put on modern software. The question of what that software will be is also being addressed—but first of all, we have to convert all the exiting software.

I will supply additional information on this subject for the record.

[The information follows:]

Clarification for the Record

There are several important points to be made with respect to the requested $31.6 million increase for ADP services in 1991:

-- A relatively small portion of the increase ($8 million) is to develop ADP application systems in accordance with the recommendations of the Task Force on Program Financial Management and other reform initiatives.

-- Most of the requested increase is for the Development/Conversion Phase of HIIPS, which is a different activity.

-- HIIPS development/conversion costs are one-time costs. They will create a temporary bulge in the ADP services budget in 1991 and 1992, but thereafter those costs should fall back to lower levels.

-- These front-end costs for HIIPS will be more than offset by the savings which will be realized from HIIPS in future years.

There is, of course, an interrelationship between HIIPS and the Secretary's reform initiatives. HIIPS will provide the hardware infrastructure needed to implement the ADP systems changes required to support these initiatives. Under HIIPS, the fragmentation of the Department's present computing operations will be eliminated. These operations will be consolidated in a single facility. This will make it significantly easier to integrate ADP systems, particularly accounting and financial management systems, since these systems presently operate at different sites. Better integration of these systems is a key element of the Secretary's reform initiatives.

The Department's reform efforts will also focus upon the provision of more timely and accurate program and financial data from ADP systems to program managers. HIIPS will facilitate the development of ADP systems which provide managers with such information. It will give the Department access to modern, state-of-the-art equipment and will allow the Department to respond on a continuing basis to changes in technology. And, it will accommodate the growth in computing and teleprocessing workload expected to accompany the Department's reform initiatives.

It is essential to understand that the HIIPS procurement is not an optional activity for the Department. Periodic recompetition of hardware contracts is a regulatory requirement imposed upon the Department by the General Services Administration. The hardware and facilities provided through HIIPS will simply replace and upgrade the Department's existing hardware and facilities. These services are now being provided under contracts originally awarded in the late 1970s and early 1980s, which have expired and are operating under temporary extensions, pending award of HIIPS.

In order to give the Committee a better understanding of what HIIPS is, why we are doing it, and what activities will be supported with the requested funds, a more detailed briefing paper on HIIPS is also being provided for the record.

HUD INTEGRATED INFORMATION PROCESSING SERVICE (HIIPS)

BRIEFING PAPER

WHAT HIIPS IS:

-- HIIPS is a consolidated automation services contract through which the Department will obtain all of its computer hardware, telecommunications (excluding FTS-2000 services), and related operational support for the next decade.

-- The HIIPS vendor will not be responsible for developing application software in support of HUD programs. This will continue to be done separately.

WHAT HIIPS REPLACES:

-- HUD's existing ADP operations are badly fragmented among different kinds of equipment and different geographic sites (see below):

- Our mainframe computers now utilize both IBM and Unisys equipment.

- HUD'S computing operations are currently fragmented among six different sites.

- Two nationwide telecommunications networks are in use, using Unisys and Honeywell equipment.

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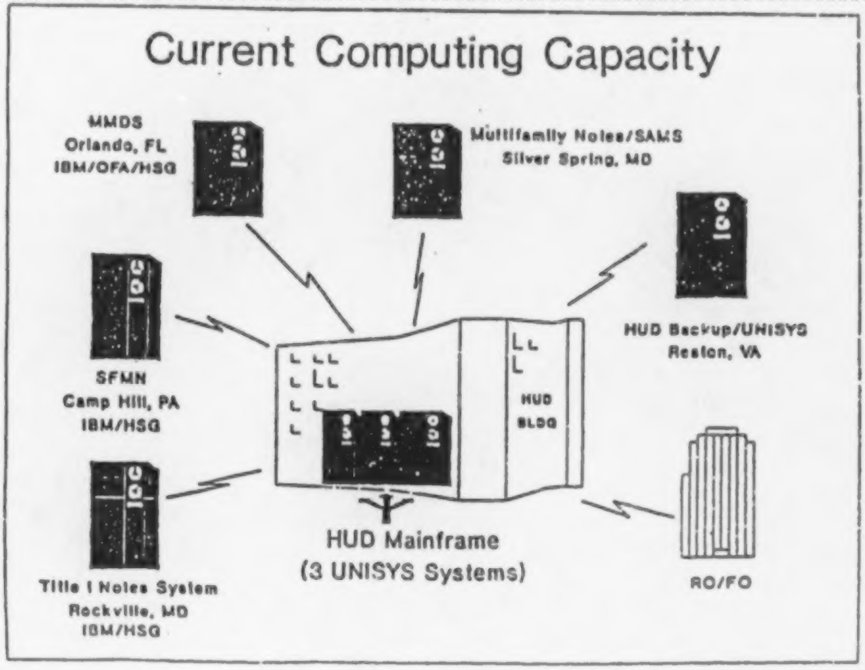

WHY HIIPS IS BEING DONE:

— There are three principal reasons why we are doing HIIPS:

1. HIIPS will eliminate the fragmentation associated with HUD's current mainframe and telecommunications environment by:

   — Consolidating all of the Department's ADP operations in a single computer facility.

   — Providing a single point of responsibility for system integration and facility management.

   — Consolidating all teleprocessing support into a single teleprocessing network. (NOTE: Dedicated lines for this network will be provided through FTS-2000.)

2. HIIPS will accommodate the anticipated growth in HUD's computing and teleprocessing workload for the next decade. It will also provide state-of-the-art facilities and equipment and make it possible for the Department to respond more easily to changes in technology.

3. HIIPS will meet legal and regulatory requirements:

   — GSA regulations require recompetition of all large ADP contracts when they expire (to obtain the benefits of competition).

   — HUD's major ADP contracts are expiring, and the Department must comply with the legal requirements for recompetition.

   — GSA has provided the Department with a Delegation of Procurement Authority to replace all of the existing contracts with a single, consolidated contract for ADP services.

WHAT HIIPS WILL COST:

— There are two types of costs associated with HIIPS:

- Recurring operational costs - These are on-going costs which will be incurred once HIIPS becomes operational (FY 1993 - 2003). They will be a substitute for our present ADP operational costs. No additional funding will be required.

- One-time development/conversion costs - These are initial, front-end costs which must be paid during the first 30 months of the contract (FY 1990 - 1993). They will be in addition to our ongoing operational costs during this period, since we will continue to run our existing equipment through the 30-month development/conversion phase.

-- Equivalent costs would be incurred even if the present system of multiple contracts was retained, since the Department's major ADP contracts are expiring and must be recompeted.

WHAT IS REQUESTED IN THE BUDGET FOR HIIPS:

-- A small increment of funds was approved in the FY 1990 budget to begin the HIIPS development/conversion effort.

-- Funding for 12 months of effort is requested in FY 1991. The balance will be funded in FY 1992 and 1993.

WHAT WILL BE ACCOMPLISHED DURING HIIPS DEVELOPMENT/CONVERSION:

-- Activities which must be completed during the development/conversion period include the following:

- Converting software
- Converting to new database management systems and file structures
- Converting to new operating control language
- Performing systems testing
- Performing parallel and acceptance testing
- Redocumenting systems
- Preparing Headquarters and Field sites
- Acquiring, installing, and testing equipment
- Constructing and making operational a new computer facility
- Training HUD technical and program staffs

HOW HIIPS WILL SAVE MONEY:

-- In spite of the front-end costs, HIIPS will result in substantial savings over the next decade. Operational costs will be reduced by 20 to 40 percent, compared to what they would be if we continued our present procurement approach. (Actual savings will depend upon our ADP workload -- the more our workload increases, the higher the savings.)

-- Savings are the result of several factors:

- Elimination of the present costly timesharing approach to providing some computing capacity.

- Consolidation of two existing networks into one modern telecommunications network.

- Improved pricing as a result of competition.

- Lower procurement, contract administration, and Government personnel costs.

WHEN HIIPS WILL OCCUR:

-- Contract award is scheduled in late 1990. Final discussions are now in process with vendors who submitted proposals in response to the HIIPS solicitation, to be followed by a call for "Best and Final" proposals.

-- A 30-month development/conversion process will follow contract award.

-- HIIPS will be fully operational in early 1993.

Mr. GREEN. I am not a great computer expert, but, if there is one rule that my son has taught me, it is that you don't buy the hardware until you know what software you want to run.

Mr. KLIMAN. We know about 75 to 90 percent of it right now. We have a lot of existing activity which has to be converted over. The contract would provide state-of-the-art equipment, which will handle virtually anything.

Mr. GREEN. I guess the problem the staff is having is that you had the HUD MAP. Now you have got HIIPS, and you don't seem to——

Mr. KLIMAN. HUD MAP was a completely different proposition. HUD MAP was an attempt at devising an integrated system which did everything at once, and I think we ended up with a lot of boxes of paper but nothing else.

What we have going here is not a glorious attempt to have an integrated system that will do everything at once, but an integrated set of computer hardware which will allow us then to develop application systems that can talk to each other and which will address the issues that we are addressing now with the Task Force on Program Financial Management and which will be addressed when the CFO comes in.

Mr. DELLIBOVI. Let me just add with HIIPS we have similar concerns and are watching very carefully to make sure that our financial management task force and the recommendations that they are making and the activities that the Chief Financial Officer and the Comptrollers will propose will not be at variance with the procurement underway.

We recognize the danger of their going off in opposite directions, and are managing this thing carefully enough to legally avoid that. We have been blessed, in a sense, by the fact that the procurement process has been upset. So the thing has gone along slower.

PUBLIC AND INDIAN HOUSING STAFFING FLOOR

Mr. GREEN. To continue rebuilding the Public Housing program, HUD was mandated to maintain an average employment of at least 1,365 staff years for the public and Indian Housing programs in 1989. Similar provisions have been carried in previous appropriations acts. Why does the table on page G-7 show only 1,341 staff years for Public and Indian Housing in 1989?

Mr. DELLIBOVI. Well, this is a less than 2 percent variance, I guess, from the 1,365——

Mr. GREEN. I guess we look on the 1,365 as the bottom and the variance should only be upward.

Mr. KLIMAN. Mr. Green, I am not sure whether or not we did this while you were a Regional Administrator, but one of the problems we have with administering this particular floor is that we don't have out in the field separate bodies that are identifiable as Public Housing types and Housing types.

The same people out there do both Public Housing work and Housing work, and the guy that goes out to the PHA to look into, and monitor the Public Housing side of the PHA may also do some work on the Section 8 side, which is charged to Housing programs. And he is going to go where the problems are.

I think we did amazingly well coming within 24 staff-years of that floor and to do better than that, I think, with the current organizational structure of the Department would be virtually impossible.

STAFF FOR CO-INSURED MULTI-FAMILY HOUSING PROJECTS

Mr. **Green**. A concern has been expressed regarding staffing for certain of the Housing programs. Does HUD currently have adequate staff to conduct pre-commitment reviews of co-insured multi-family housing projects?

Mr. **DelliBovi**. We are hiring—today we do not have adequate staff. We have just this week signed off on a new staffing plan, organizational plan for Housing. They have additional slots that were granted in this current year's budget. I have personally visited with the people in multi-family housing that were doing the work, and promised them additional help.

We are giving them that help. How much more we will have to give them we do not know for sure. We are trying to measure the work load that we anticipate. Obviously, there are some savings that are being generated by the termination of the co-insurance program.

That program at the same time will increase the work of full insurance and the Housing Commissioner is committed to setting up a delegated processing system for multi-family insurance as well. So we don't know the full answer.

We, right now, have adequate resources to add the staff that we are able to hire.

COMMUNITY PLANNING AND DEVELOPMENT REORGANIZATION

Mr. **Green**. Turning to your reorganization of the Department, has the reorganization for CPD been completed?

Mr. **Kliman**. The reorganization that is contemplated. I don't know——

Mr. **Brown**. It is still pending.

Mr. **Green**. What is the timetable?

Mr. **Brown**. I think the intention is by the end of this fiscal year.

Mr. **Green**. What other reorganizations are you contemplating that have not begun?

CHIEF FINANCIAL OFFICER AND COMPTROLLERS

Mr. **Kliman**. The Department indicated on its operating plan to you that we would be reorganizing for the Chief Financial Officer at a point in time. That has not yet happened. There will also be—and we have advertised for these positions Comptrollers in basic program areas so there would have to be some type of shifts within Housing CPD, Public Housing and Administration each of which will have a Comptroller.

Mr. **Green**. What is your time frame for hiring the Comptroller?

Mr. **DelliBovi**. The candidates have been interviewed for the Chief Financial Officer and the FHA Comptroller positions. The ads are currently pending for the Comptrollers in CPD, Administration, and Public and Indian Housing, and we are hopeful that by the beginning of the summer we will have them all on board.

Mr. GREEN. Let me turn to my own questions.

Mr. DELLIBOVI. The comptroller advertisements were closed today.

Mr. GREEN. I noticed in the January 8th, 1990 Federal Register that OPM has allotted you certain SES positions, and one of them particularly caught my eye. It was a special assistant to the deputy assistant to the deputy assistant secretary for policy finances management administration. I was just sort of curious what such a person does.

You can supply it for the record.

[The information follows:]

SPECIAL ASSISTANT TO THE DEPUTY ASSISTANT SECRETARY FOR POLICY, FINANCIAL MANAGEMENT AND ADMINISTRATION

The January 8, 1990 FEDERAL REGISTER contained a listing of Schedule C, not SES, positions OPM alloted to the Department. The incumbent of the position in question serves as a GS-14 Special Assistant to the SES position of Deputy Assistant Sectetary for Policy, Financial Management and Administration under the Officer of the Assistant Secretary for Housing-Federal Housing Commissioner. (Please note that the title of the Schedule C position as listed in the FEDERAL REGISTER was an error. It should be Special Assistant to the Deputy Assistant Secretary for Policy, Financial management and Administration.)

The Special Assistant works in a close and confidential capacity with the Deputy Assistant Secretary on a wide variety of assignments, often analyzing housing program issues, legislative proposals, and major Departmental policy initiatives. The incumbent coordinates major assignments involving Housing's budget development, execution, and administration. The Special Assistant keeps informed of Departmental programs and issues and advises the Deputy Assistant Secretary of potential problems/concerns. He/she also represents the Deputy at meetings and performs other special assignments as needed.

Mr. GREEN. It did seem a rather specialized slot.

Mr. KLIMAN. I will be interested as well.

SPACE RENTAL COSTS

Mr. GREEN. In August of last year, the Chairman and I received a letter detailing an increase in the salaries and expenses account for furniture and equipment, and one of the benefits was "more effective use of space."

Can we anticipate that this will ultimately result in some reduction in rental costs?

Mr. KLIMAN. It is already resulting in a reduction in rental costs—a little lower than it would otherwise have been. Quite frankly, if we had the furniture money, we would be doing more of it.

We have some regional situations right now where they are moving, and it would be extremely useful as they move into constricted space to have the systems furniture. GSA says no more than 135 square feet per person on the average. That is rather tight. They take out people and move them in, and if we don't have the right furniture, it is almost impossible.

NEW REGIONAL DESIGNATION FOR CARIBBEAN OFFICE

Mr. GREEN. I received HUD's letter a few days ago about the shift of the HUD Puerto Rico programs from Region II to Region IV, and while people in Region II may have been unhappy, I have checked with people in the Commonwealth Government who deal with HUD, and they seem pleased with the arrangement.

My only worry was whether there are enough people in the Atlanta Regional Office who are spanish-speaking so that they can monitor that work.

Mr. DelliBovi. That was a concern of mine when the decision was being formulated, and I was advised that there was an adequate staff to meet the bilingual needs.

Mr. Green. For the record, if you could just indicate which staffers in Atlanta are bilingual.

Mr. DelliBovi. Okay.

[The information follows:]

Bilingual Staff in the Atlanta Regional Office

There are five employees inthe Atlanta Regional Office who are Spanish-speaking. They are in the following job categories: Two Equal Opportunity Specialists; one Financial Analyst; one Program Analyst; and one General Engineer.

In addition, there are 41 employees in seven Region IV Field Offices (Coral Gables, Jackson, Jacksonville, Knoxville, Nashville, Orlando and Tampa) who are bilingual.

Mr. Green. Why don't I go up and cast my vote, and then we will be right back.

[Recess.]

WEDNESDAY, APRIL 4, 1990.

FAIR HOUSING AND EQUAL OPPORTUNITY

WITNESSES

GORDON M. MANSFIELD, ASSISTANT SECRETARY

JOHNNIE B. BOOKER, DEPUTY ASSISTANT SECRETARY FOR OPERATIONS AND MANAGEMENT

LEONORA L. GUARRAIA, DEPUTY ASSISTANT SECRETARY FOR ENFORCEMENT AND COMPLIANCE

PHILIP H. SAVAGE, EXECUTIVE ASSISTANT TO THE ASSISTANT SECRETARY

WILLIAM O. ANDERSON, DIRECTOR, OFFICE OF MANAGEMENT AND FIELD COORDINATION

LAWRENCE D. PEARL, DIRECTOR, OFFICE OF PROGRAM STANDARDS AND EVALUATION

JACKIE SHELTON, DIRECTOR, OFFICE OF FAIR HOUSING ENFORCEMENT AND SECTION 3 COMPLIANCE

MAXINE B. CUNNINGHAM, DEPUTY DIRECTOR, OFFICE OF FAIR HOUSING ENFORCEMENT AND SECTION 3 COMPLIANCE

PETER KAPLAN, DIRECTOR, OFFICE OF HUD PROGRAM COMPLIANCE

FLORENCE L. MAULTSBY, DIRECTOR, OFFICE OF VOLUNTARY COMPLIANCE

DANA D. JACKSON, ACTING DIRECTOR, MANAGEMENET SYSTEMS AND SERVICES DIVISION

BRENDA M. ADAMS, BUDGET OFFICER

ALFRED DELLIBOVI, UNDER SECRETARY, OFFICE OF THE SECRETARY

HARRY CAREY, ASSISTANT GENERAL COUNSEL OF GENERAL LAW, OFFICE OF THE SECRETARY

ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER, OFFICE OF THE SECRETARY

Mr. GREEN. Turning to Fair Housing and Equal Opportunities, Gordon Mansfield is the new Assistant Secretary for Fair Housing and Equal Opportunity.

The budget requests $6.6 million for the Fair Housing Assistance Program and $5.6 million for the Fair Housing Initiatives Program. Collectively, these requests are approximately $220,000 below 1990.

The budget proposes a staff level for Fair Housing and Equal Opportunity in 1991 of 762, an increase of 66 above 1990. You are requesting 762 staff years for fair housing and equal opportunity in 1991, an increase of 125 above the 1989 level.

[The statement of Mr. Mansfield follows:]

STATEMENT OF GORDON H. MANSFIELD
ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY
BEFORE THE SUBCOMMITTEE ON VA-HUD-INDEPENDENT AGENCIES
OF THE HOUSE COMMITTEE ON APPROPRIATIONS
APRIL 1990

Mr. Chairman and Members of the Committee:

I am pleased to appear before you for the first time to discuss the 1991 Budget proposals for Fair Housing and Equal Opportunity.

A year ago, the former General Deputy Assistant Secretary for Fair Housing and Equal Opportunity sat before you and stated that "at no time in the past twenty years has the question of FHEO's budget been more critical to the achievement of the National goal of fair housing". Today, one year later, that statement still holds true. Since the passage of the Fair Housing Amendments Act of 1988, our workload has greatly expanded as a result of the publicity associated with the legislation, the additional categories of discrimination based on handicap and familial status, increased awareness on the part of the public of their rights and privileges, and the strengthened enforcement procedures.

First, I would like to thank this Subcommittee on behalf of the Secretary for its help in moving the supplemental budget through the full Committee and the House floor this past summer. This Subcommittee has demonstrated an understanding of and support for FHEO's enlarged mission. The additional staffing positions approved in the supplemental appropriation bill have been allocated to the Field and we are currently in the process of hiring additional staff and providing training as necessary. The staffing increases are essential if we are to succeed in processing the increased caseload which the new fair housing law is generating, within the demanding timeframes which the statute sets forth.

As you know, enforcing fair housing is one of HUD's six top priorities, and in 1991, we plan to continue to expand the Department's fair housing efforts in both of our major FHEO programs, i.e. Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). These programs supplement the enforcement activities which are carried out by FHEO Field staff under Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988.

The FHEO budget request before you today reflects our experience of the past year, and our best calculations of where we will be in 1991.

Fair Housing Assistance Program

We are recommending a funding level of $6.6 million for the Fair Housing Assistance Program (FHAP) to assist State and local fair housing agencies. We will no longer provide financial assistance to support Community Housing Resource Boards (CHRBs).

The $6.6 million will be used to fund an estimated 125 State and local agencies on a noncompetitive basis. Agencies which meet a certain threshold level of complaints processed and a prescribed standard of case processing quality and timeliness will receive additional incentive funds for education, outreach, testing and other support activities.

Additionally, the Department will also use its Salaries and Expenses appropriation to contract with State and local agencies for the investigation of handicapped and familial status cases, pending their adoption of laws equivalent to the Fair Housing Amendments Act. To date, no agencies have been recertified. However, twelve agency recertifications are pending.

Fair Housing Initiatives Program

We are recommending a funding level of $5.6 million for the Fair Housing Initiatives Program (FHIP). This amount will be used to fund the Private Enforcement Initiative and the Education and Outreach Initiative.

The Private Enforcement Initiative component is proposed at $3.6 million. Historically, private organizations have long played a key role in initiating and carrying out programs to prevent discriminatory housing practices. This level of funding will enhance efforts to target funds to areas we know have the most serious discrimination problems. To date, we have awarded funds to 32 private enforcement grantees using Fiscal Year 1989 carryover funds. This represents 46 percent of our estimated total of 70 grantees.

The Education and Outreach Initiative component is proposed at $2.0 million. Fiscal Year 1991 dollars will support education and outreach efforts aimed at new protected groups such as the handicapped and families with children. In addition, this level of funding supports continued assistance to State and local agencies or their fair housing agencies in the crusade to prevent or eliminate discriminatory housing practices. To date, we have awarded funds to 7 education and outreach grantees using Fiscal Year 1989 carryover funds. This represents 70 percent of a total of 10 awards that were planned using Fiscal Year 1989 carryover.

The Administrative Enforcement Initiative is also a component under the Fair Housing Initiatives Program. However, no funding is proposed in Fiscal Year 1991. Specialized fair housing enforcement and compliance activities of State and local governmental agencies, which administer fair housing laws substantially equivalent to the Federal statute, will be funded under FHAP in 1990 and 1991.

Administrative Expenses

We are proposing a staffing level of 761.8 staff years --- an increase of 66.3 from the current 1990 estimate of 695.5 staff years.

Program Accomplishments

At this point, I would like to highlight a few of FHEO's major accomplishments over the past year.

- The Fair Housing Initiatives Program (FHIP) was implemented with the publication of program regulations which became effective in May of 1989. Fiscal Year 1990 represents the first full year of operation for FHIP. Notices of Funds Availability have been issued for $7.0 million. This figure includes Fiscal Year 1989 carryover and current appropriation amounts. We are now processing the fund reservation requests for the 1989 carryover of $5.0 million. As enforcement efforts pick up and data on program effectiveness become available, we will inform the Committee of progress made in this area.

- At the close of Fiscal Year 1989, approximately 6,338 Title VIII complaints were received. Of this total, approximately 4,943 or 78 percent were closed. Of the cases bought to closure, many have been successfully conciliated, resulting in settlements of approximately $2 million. As of February 28, 1990, 2394 complaints have been received in 1990 and 2,006 cases have been closed. The amount of financial compensation received through February 28, 1990, by injured parties was approximately $1.4 million.

- We have implemented an evaluation component to measure the effectiveness of our Title VIII enforcement effort. This will allow us to assess enforcement efforts, to identify areas of weakness, and to make improvements.

- To implement the Fair Housing Amendments Act of 1988, the Department has made a number of strides. For example, we have reorganized the Office of Fair Housing Enforcement and Section 3 Compliance to more effectively implement the new Act. We have hired additional staff such as managers and investigators in both Headquarters and Regional Offices. We have also conducted extensive training sessions on the amended Act and regulations. This will ensure that HUD staff and State and local substantially equivalent agencies are thoroughly versed in this area. We also expect to conduct a more detailed training session for investigators of those agencies which already have the new coverages. In addition, within the limits of our resources we have met with dozens of housing industry groups and associations, speaking at their conventions, conferences and meetings, and attempting to address their concerns and questions about the new Act.

- We have established a comprehensive technical guidance memorandum system covering procedural, technical and substantive standards for complaint processing, investigation and case review. We have developed and implemented an automated data system to track case processing under the new law and aggregate all information into a single database.

I believe this Fiscal Year 1991 budget request represents the Department's continued commitment to the goal of realizing a Nation free of unfair or discriminatory housing practices This budget will allow us to continue existing program efforts, while at the same time to administer new initiatives.

This concludes my prepared statement. I will be pleased to answer any questions you may have.

Thank you

TRAINING NEW EMPLOYEES

Mr. **Green**. What percentage of the new employees will require training and have you been able to provide the necessary training for them?

Mr. **Mansfield**. Most of these employees will be directed towards the new Fair Housing Amendments Act, enforcement activities, and in line with that I would expect that all of them would need training. However, experience has shown us during the past year that we have been able to recruit people, for example, from HHS, the Office of Civil Rights over there, or from Labor or from Education, so we do have some people coming into the system that have a knowledge of case processing and case management.

The only thing we would have to do there is to make sure these people are up on, for example, the fair housing law, versus the employment law or versus the education law. Some people coming into the system are going to have a background in investigations or enforcement, and some may not, so some may require more training.

RESOURCES FOR TRAINING

Mr. **Green**. Do you have the resources to provide the necessary training?

Mr. **Mansfield**. Yes, training is one of our priorities for this new enforcement activity.

Mr. **Green**. The Program and Financing Schedule indicates that $6,264,000 was unobligated in the Fair Housing activities account at the end of 1989. The budget also indicates that all available funds will be obligated in 1990.

However, the budget was put together a number of months ago. Do you still anticipate that all available funds in this account will be obligated in 1990?

Mr. **Mansfield**. Yes, I do. This is one area of about five areas that have been made priorities.

Obviously, we did not do the job last year. We have been through the rounds of applications on both programs, the FHIP Program and the FHAP Program. And funds for both of those programs are on schedule to be obligated.

CHRBS

Mr. **Green**. No funding is proposed for community Housing Resource Boards in 1991. The legend on page K-1 indicates that the boards will be eligible to apply for financial assistance under the Fair Housing Initiatives Program to carry out education and outreach initiatives.

How come you didn't request funding for the boards in 1991?

IMPACT OF NEW LAW

Mr. **Mansfield**. First of all, sir, I think you have to go back and understand that there has been a major change in what HUD does in fair housing. When the new law was enacted, we were finally given enforcement powers with appropriate penalities.

Previously, the CHRBs existed to enforce a voluntary agreement. These groups can be funded through the Fair Housing Initiatives Program, and I think what we are looking at is the fact that the world has changed.

Whereas before, we were looking to these groups to work with the realtors to make sure that they were doing an adequate job, now we have got the effects of the law which will help us enforce that law. A good example of this is the case that went to trial down in Atlanta. The individual was assessed civil penalties and fines of $75,000 plus.

There is a subsequent action with the Georgia Real Estate Licensing Group to see if the individual is going to maintain his license. So what we are looking at there is on the voluntary side. I think it is very important, but I think we have to look at a changed set of circumstances. And I would rather put the money that was going to these groups into the other side of the program. I think it makes more sense.

REVIEW OF CHRB PROGRAM

Mr. **Green**. So this was basically HUD's decision, not OMB's?

Mr. **Mansfield**. I think it was our decision. I have no problem with it.

Mr. **Green**. What did your review of the CHRB Program reveal following last year's IG audit?

Mr. **Mansfield**. We looked at the audit, agreed that there were major problems, brought in a consultant who specialized in that area of financial reporting, who spent 90 days with us to identify systems and mechanisms that are now involved in the new NOFA that is going out. There will be knowledge up front with the people that are receiving funds from this funding year's process of what the requirements are. Also, we have a training program for our monitoring staff that will be accomplished by, I think, the end of June so that will have been in place by the time we monitor these new agreements.

I think we have identified and corrected all the problems; or, potentially corrected all the problems.

1990 OBLIGATIONS

Mr. **Green**. You are estimating an obligated, but unexpended balance in the account at the end of 1990 of $14,406,000. The obligated but, unexpended balance at the end of 1989 was $5,732,000. What accounts for the large increase in the obligated but unexpended balance at the end of 1990? I notice the same thing is estimated at the end of 1991.

Mr. **Mansfield**. I am going to have to go to the experts on this one.

Mr. **Kliman**. The very fact is by obligating the funds in 1990, it increases the obligated balance——

Mr. Mansfield. These are two-year funds, and the obligation runs through 1991.

Mr. Green. So the activities you are funding ~~run thr~~ough 1991?

Mr. Mansfield. After they are obligated there is an 18-month performance period at least.

Mr. Green. In which programs will these balances occur?

Mr. Mansfield. They will be in the FHIP and FHAP, both of them.

FUNDING OF AGENCIES

Mr. Green. I have one question of my own. I have been contacted by several groups involved with fair housing programs who were concerned that proposals, which were submitted for funding under the Fair Housing Initiatives Program in July 1989 have not yet received word on funding.

Apparently all the applicants who have been approved were told so back in November, but they haven't seen the money yet, and they are told they may not until June. What is the problem here?

Mr. Mansfield. Is it a carry-over fund?

Ms. Guarraia. It is not really a problem. It is getting the funds and negotiating with the individual agencies.

Mr. Mansfield. I think the last step that has to be resolved is that each organization that is authorized to get funds has got to negotiate the contract. We are in the process of doing that right now.

I think the last time I checked that there were only two of these where any question still exists. It is going through the process.

Mr. Green. Thank you very much.

That concludes Fair Housing and Equal Opportunity.

WEDNESDAY, APRIL 4, 1990.

OFFICE OF INSPECTOR GENERAL

WITNESSES

PAUL A. ADAMS, INSPECTOR GENERAL

JOHN J. CONNORS, DEPUTY INSPECTOR GENERAL

JOHN H. GREER, ASSISTANT INSPECTOR GENERAL FOR AUDIT

PATRICK J. NERI, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATION

JACQULYN K. HOWARD, ASSISTANT INSPECTOR GENERAL FOR MANAGEMENT AND POLICY

ALFRED DELLIBOVI, UNDER SECRETARY

ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER

HERBERT G. PERSIL, DEPUTY DIRECTOR, OFFICE OF BUDGET

OFFICE OF INSPECTOR GENERAL

Mr. GREEN. Let's turn to the Office of Inspector General. You are requesting $37,840,000 for the OIG in 1991, an increase of $6,775,000 above the 1990 level. Staff years are estimated to increase by 55 from 495 in 1990 to 550 in 1991. Fiscal year 1990 was the first year for a separate OIG appropriation.

[The statement of Mr. Adams follows:]

Statement of Paul A. Adams

Inspector General

Before the Subcommittee on VA, HUD, and Independent Agencies

of the House Committee on Appropriations

April 1990

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the 1991 Budget proposals for the Office of Inspector General.

The 1991 Budget request for the Office of Inspector General is $37.8 million, a $7.6 million increase over our 1990 appropriated Budget of $30.2 million. The proposed 1991 staffing level is 550.4 staff-years. This reflects an increase of 55.2 staff-years over our current estimate of 495.2 staff-years. The Budget request of $37.8 million, together with .5 million in Other Transfers provides for a total 1991 Budget of $38.3 million, the amount necessary to support our staffing request of 550.4 staff-years.

During 1989, Congressional hearings and media activity focused public attention on HUD's susceptibility to fraud and mismanagement. The Congress subsequently responded by appropriating a 1990 Budget for the Office of Inspector General larger than originally requested together with an increased staff level of 528 staff-years. However, the impact of Section 517 of our Appropriations Act, the sequester under Gramm-Rudman-Hollings, and full absorption of the 1990 pay raise has prevented our realization of the staffing level of 528 staff-years as intended by the 1990 Appropriations Act.

Our most recent estimates indicate that we can sustain an average staffing level of 495.2 staff-years with current funding levels. This is 33 staff-years below our 1990 appropriated staffing level. Nevertheless, the Office of Inspector General has responded to Congressional and public expectations by dedicating its limited staffing resources to support increased criminal investigations, which are time-consuming and staff-intensive, as well as audit activities directed at programs such as the Coinsurance Program, Section 8 Moderate Rehabilitation Program, Multifamily Project Diversions, and Public Housing Agency Fraud.

The Office of Inspector General has given high priority to the pursuit of criminal and civil cases and every possible effort has been made to assign adequate resources to support Department of Justice activities. The Office of Audit has been involved in numerous single family and equity skimming cases, and most recently was involved in criminal cases against several closing agents. Currently, the Office of Investigation has over 1,100 active cases under investigation, of which 400 are joint investigations with the FBI. Moreover, the FBI is investigating another [illegible]00 cases involving HUD programs. More than half of the current, ongoing, investigations involve time-consuming single-family mortgage insurance matters and about one quarter pertain to rental assistance matters. In addition, U.S. Attorneys have been directly appealing for the assignment of additional investigative resources in their respective districts. Approval of our 1991 Budget request would enable us to respond to these increased demands and expectations placed upon us for audit and investigative services resulting directly from HUD's susceptibility to fraud and mismanagement.

Secretary Kemp has initiated several new programs and the Office of Inspector General must also dedicate resources to those programs to ensure their integrity. The Office of Inspector General is currently involved in supporting a wide range and variety of audit and investigative activities that place a considerable demand on all available resources. In order to continue the current level of effort as well as address future priorities, it is imperative that Congress support our request for additional funding and staffing in 1991. Without the funding and staffing resources requested in the 1991 Budget, it will not be possible for the Office of Inspector General to fully respond to the overwhelming demand for audit and investigative actions expected by the Congress, the Secretary of HUD, and the public.

Investigation

The Office of Investigation plans to expand its efforts in those program areas which have received Congressional and public attention. By placing added emphasis on various interdepartmental task forces, it is expected that more timely prosecutive and administrative actions will be effected. This should result in greatly increased monetary recoveries for the Department. During 1989 the Office of Investigations aided in the indictment of 349 individuals or firms which resulted in 287 convictions. Cash recoveries resulting from these investigations exceeded more than $10.3 million.

Additional staffing resources within the Office of Investigation would allow for more effective coverage of increasingly complex nationwide investigations, and would increase the Inspector General's ability to initiate additional joint investigative efforts with other Federal agencies, such as the Federal Bureau of Investigation. Over 200 investigative cases have already been referred to U.S. Attorneys which have been awaiting disposition through either indictment, trial, sentencing, or declination of prosecution. To be effectively resolved, each of these cases requires the active participation of a Special Agent in the judicial process. Furthermore, additional staff augmentation would help resolve these cases expeditiously and enable the Office of Inspector General to take advantage of new legislation such as the Program Fraud Civil Remedies Act and Multifamily Double Damages Statute.

Audit Activities

The Office of Audit, with additional staffing resources, plans to increase its efforts to address systemic Departmental problems. This will include additional effort to seek out and disclose significant program fraud and abuse as well as expanding our role in conducting financial audits and audits of Departmental ADP systems and contracts.

We plan to continue pursuing comprehensive audits designed to identify nationwide problems in the following areas: Government National Mortgage

Association (GNMA); Stewart B. McKinney Homeless Assistance Act; reasonable rental rates; grant management; appraisals of insured properties; nursing homes and intermediate care facilities; Section 8 programs; and, work of independent auditors.

We also intend to follow up on our past audits of Closing Agents' Remittance of Sales Proceeds to HUD, Section 8 Moderate Rehabilitation Program (MRP), Section 8 Existing Housing Certificates Program, State-Administered Community Development Block Grant (CDBG) Program, Mortgagee Review Board Referrals, Public Housing Resident Management and Homeownership Programs, and Government National Mortgage Association Issuer Monitoring.

Additional Audit resources will be applied to support criminal investigations. The auditor's program knowledge and accounting skills have proved invaluable in supporting past and current criminal investigations.

Program Integrity Activities

The Office of Management and Policy is the focal point for the Inspector General's efforts to minimize the opportunities for and occurrences of fraud, waste, and mismanagement in Departmental programs, activities, and functions. We will be installing a toll-free hotline telephone number to facilitate the reporting of such occurrences. This initiative will require the assignment of additional staff resources to expedite the processing of an increased volume of complaints. In 1991, we will be increasing our support to projects undertaken by the Department's Committee on Program Integrity and initiating a new management consultant service to Field and Headquarters managers. These initiatives will assist Departmental managers in making programs and operations more efficient and effective, as well as provide early detection of problem areas.

Conclusion

Mr. Chairman, that concludes my opening remarks. I would be pleased to answer any questions that you might have.

Mr. GREEN. Has there been any problem on operating out of a separate account?

Mr. ADAMS. Not to date, sir. We have had some minor things, but we have worked very closely with Mr. Kliman and his staff and we hope those are reflected in our current year budget request.

Mr. GREEN. The responsibilities that have been placed on you because of the scandals have been considerable. Have you been getting good cooperation from the Secretary, the Under Secretary, and all the Assistant Secretaries in your efforts to improve the Department?

Mr. ADAMS. Outstanding. We really have enjoyed a good relationship. Although our staff has been somewhat strained by the work, they have been up to the task. The Department has responded very well to all the information we have provided.

FOLLOW-UP TO INVESTIGATIVE REPORTS

Mr. GREEN. One of the real problems with any investigative report is the follow-up, whether it is your report or GAO's or whoever issues it, management says that they will follow the recommendations, but nobody seems to look to see if anything positive occurred a few years later.

How much effort does your office devote to follow-up of previous audits investigations?

Mr. ADAMS. Well, we have increased that, Mr. Chairman. In fact, I just met with Mr. DelliBovi last week, and I was telling him we anticipate doing some work in the very near future, particularly with regards to the closing agent issue. This will be typical of other work we will be doing in the coming year.

Mr. GREEN. Are there any significant examples where you have gone back after a few years, looked at a matter previously investigated and found your recommendations were not being followed?

Mr. ADAMS. Well, I just cited the closing agent situation. That was in a prior administration, and we developed that late in the prior administration. That is the reason we are going back to look and see if those recommendations have been implemented, and, if they have been effective.

Mr. DELLIBOVI. If I may interject at this point, Mr. Green, the Secretary has initiated tracking systems, both for the A-123 material weaknesses, for the Inspector General's audits for congressional mandates and for all of the reform initiatives. We have management systems that are rather detailed that are used to track the information on a monthly basis.

Mr. GREEN. Again, a similar question to one that I asked a couple minutes ago, when you approach program managers on this type of issue, have you been getting good cooperation?

Mr. ADAMS. Outstanding, I couldn't be more pleased. Of course the test will come as we proceed with some history in this thing, but if it continues this way, I anticipate no problem at all.

Mr. GREEN. Anything else you would like to tell us?

Mr. ADAMS. No, except I, like Secretary Kemp, think I have a great team. I think they are doing an outstanding job under adverse circumstances in the past year.

It has been quite gratifying to get the kind of support I have out of the Under Secretary, the Secretary, and all of the new principal staff and we hope it continues that way.

Mr. **Green**. Thank you very much.

WEDNESDAY, APRIL 4, 1990.

INTERAGENCY COUNCIL ON THE HOMELESS

WITNESSES

PATRICIA A. CARLILE, EXECUTIVE DIRECTOR

GEORGE A. FERGUSON, DEPUTY DIRECTOR

ALBERT J. KLIMAN, DEPARTMENTAL BUDGET OFFICER FOR DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

1991 REQUEST

Mr. GREEN. The Interagency Council on the Homeless is requesting a 1991 appropriation of $1,214,000. Staff years for 1991 are estimated at 12, the same as in 1990. Your 1991 appropriations request is $131,000 above 1990.

[The statement of Ms. Carlile follows:]

STATEMENT OF PATRICIA A. CARLILE

EXECUTIVE DIRECTOR OF THE INTERAGENCY COUNCIL ON THE HOMELESS

BEFORE THE SUBCOMMITTEE ON VA, HUD, AND INDEPENDENT AGENCIES

OF THE HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 1990

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you today to discuss the FY 1991 budget request for the Interagency Council on the Homeless. The Council was established in 1987 and has a broad mandate, which includes monitoring Federal, State, and local homeless assistance programs; providing technical assistance; sponsoring regional workshops; and preparing an annual report to Congress and the President.

The Council is fortunate to have Secretary Kemp as its Chairman. He provides strong and energetic leadership for the Council, and has reinforced the Council's efforts, by making elimination of homelessness one of the priority goals of HUD.

In the past year we have acted aggressively to energize the Council by making it more responsive to its mandate and ensuring that it performs the key coordinative and resource role that was envisioned for it. I want to give you just a few examples of the Council's accomplishments over the past year:

POLICY COORDINATION AND GUIDANCE

Council members have undertaken efforts to identify and address administrative, regulatory, and legislative barriers, to reduce duplication, and to recommend changes to Federal homeless assistance programs. For example, a Policy Group with sub-Cabinet level representatives of the Council's member agencies meets monthly to discuss emerging policy issues and ensure interagency coordination. Based on the work of this Group, the Council (1) addressed ways in which the Federal government could assist in improving outreach to hard-to-serve components of the homeless population; (2) encouraged member agencies to improve the process of making Federal property available to help the homeless; and (3) agreed upon an overall policy framework for reviewing and implementing new initiatives and program changes. The Council has also convened special task forces to look at ways to improve interagency coordination in administering programs under the McKinney Act.

INFORMATION AND TECHNICAL ASSISTANCE

Publications

We have established a mailing list of nearly 30,000 individuals and organizations involved in homeless assistance programs. We use this mailing list to distribute Council publications, which include:

-- Program Alerts to promptly publicize announcements of funding availability and significant regulatory actions of interest to homeless providers. We have included timetables of projected funding schedules and application deadlines for McKinney programs in these announcements to help potential applicants in submitting timely and competitive applications.

-- Program Guides on both McKinney and non-McKinney Federal programs available to help the homeless, with brief program descriptions and information on program contacts. In addition, the Council has established a database which tracks McKinney funding to the States. This funding information has been extremely useful to State contacts and local homeless providers in coordinating their efforts.

-- The Council Communique, a periodic newsletter which provides information on exemplary programs and activities.

-- Special purpose publications, including guides for obtaining Federal surplus property and identifying the various eligible activities under McKinney Act programs.

Conferences and Meetings

Since July 1989, the Council has sponsored regional workshops in Atlanta, Hartford, Chicago, and Fort Worth. Four additional workshops are planned through September 1990, and five will be held in Fiscal Year 1991. These workshops provide broad overviews of Federal, State and local homeless assistance programs, and offer an opportunity for homeless providers to obtain technical assistance and exchange information. In January of this year, we convened a meeting of governor-designated State contacts to encourage State-level coordination of homeless assistance activities. Approximately 2,000 persons have attended these various workshops and meetings.

MONITORING AND EVALUATION

Council staff, working with the Council's Regional Coordinators, visited 14 States in FY 1989 to meet with service providers and State and local representatives to identify local concerns with Federal homeless assistance programs. These concerns were forwarded to the appropriate agencies, and many changes have been made which specifically address these concerns.

We have also worked with the Council's member agencies to ascertain the status of program impact evaluations for the various McKinney programs. A priority effort for the Council staff has been to suggest additional research and evaluation efforts to complement those already planned or underway.

These are but a few examples of the Council's activities during the past year. Additional information on these and other activities of the Council is contained in the Council's 1989 Annual Report to Congress, a copy of which was sent to every Member of Congress.

1991 BUDGET REQUEST

For FY 1991, the Administration is requesting a total of $819.1 million for McKinney programs, with an additional $166 million for non-McKinney homeless programs. This includes the 1991 request of $1.214 million in support of the Interagency Council. This amount is necessary to continue to fulfill the Council's broad mandate under the McKinney Act. We will be able to continue our publications, research and technical assistance projects, and regional workshops at essentially the same level as in 1990. The ten full-time Field support staff will continue to be provided on a non-reimbursable basis from HUD. I should note that authorizing legislation to extend the Council through 1991 will be proposed.

Conclusion

Mr. Chairman, that concludes my opening remarks. I will be happy to answer any questions you might have.

Mr. **Green**. An unobligated balance of $817,000 was carried forward from 1989.

What caused those funds not to be obligated in 1989? As I recall, there was also an unobligated balance carried forward at the end of 1988.

Ms. **Carlile**. That's right, Mr. Chairman. We were not here in 1988. We took over under Jack Kemp. I came on April 3rd of 1989, and we basically had to begin to respond very rapidly. We started with a brand new staff. We really worked at trying to achieve the Council's mandate to collect and disseminate information and get regional workshops organized which provide technical assistance out to the field.

PROGRESS OF THE COUNCIL

Our monitoring and evaluation efforts also required a lot since that had not been done by the staff previously. We had to really organize that, and that's what we spent most of the time then doing.

That was about from April 3rd to September 30th, so it was a short time frame in which to be as responsive as we could. We really wanted to have the providers realize that by getting information out to them quickly we were very interested in their concerns.

OBLIGATION OF FUNDS

Mr. **Green**. Do you see any problem in obligating all of the funds this fiscal year?

Ms. **Carlile**. We are going to do our very best. We have a number of areas that we have identified already insofar as research is concerned and would like very much to get that done. I have also hired someone on my staff who happens to be very, very good in contracts.

In addition to that, she is a director of monitoring and evaluation. She is working full time right now trying to obligate available funds. We will be obligating some of those funds for technical manuals and manuals that will identify exemplary programs that will help teach communities, show them how they can be more responsive, how other communities are being more responsive, and how individuals can be responsive.

We are trying to coordinate the homeless assistance efforts on a national level so that we can provide the information that they need. I do believe that we will be using all available funds.

DETAILS TO THE COUNCIL

Mr. **Green**. A provision in the Appropriations Act requires that the council carry out its duties in the regions through detail of employees from departments and agencies represented on the council. How many employees are presently on detail for council activities in the regions?

Ms. **Carlile**. Ten are actually stationed in the regions.

Mr. **Green**. For the record, if you could provide a table listing the number of detailees to the council and in the regions by agency for fiscal year 1989 and 1990.

Ms. Carlile. I am sorry, were you referring to full-time employees?

Mr. Green. Whatever details there have been to the region, to your regional activities from other agencies.

Ms. Carlile. We have ten full-time HUD regional coordinators, and they were detailed from HUD by Secretary Kemp to work exclusively on homeless matters.

We also have over 100 other non-HUD field representatives who are just part-time. They help us, for example, put on these workshops. I will be glad to provide you that information.

[The information follows:]

DETAILEES TO THE INTERAGENCY COUNCIL ON THE HOMELESS, BY AGENCY, FOR 1989 AND 1990

Position	Number	Agency	Dates
Regional coordinator	10	HUD	May 1989 to present.
Deputy director	1	USDA	April to July 1989.
		HUD	July 1989 to March 1990.
Program analyst	1	HUD	May 1989 to March 1990.
Director, monitoring and evaluation	1	HHS	March 1990 to March 1991.

REAUTHORIZATION

Mr. Green. The Council's charter was to expire at the end of 1990. However, you are requesting funds and legislation to continue the activities of the Council. How long do you envision that there will be a need for your Interagency Council on the Homeless?

Ms. Carlile. Well, we are requesting a one-year reauthorization in order to bring all the McKinney programs' authorization in line with each other and then we will be able to reevaluate the programs. Is your question how long the council needs to exist?

Mr. Green. Yes. Would you anticipate a need for a permanent council?

Ms. Carlile. I would hope not.

COUNCIL RECOMMENDATIONS

Mr. Green. The council is responsible for monitoring, evaluating, and recommending improvements in activities to help the homeless conducted by federal agencies, state and local governments and private or voluntary organizations. At this point what major improvements in activities to help the homeless would you recommend to us?

Ms. Carlile. Better, more comprehensive coordination of programs, meaning not only federal programs. That is what has begun through the Interagency Council's effort. A lot of interagency activity is in process. I would also see an improved federal role in working more closely with the States and with the local communities as well as with the providers. This is the whole group that Congress had the foresight to include in the McKinney legislation.

I would say that needs a management effort. That is what we are working on.

NEED FOR COORDINATION

Mr. GREEN. How would you see this being coordinated at the local level by the Federal Government? We abolished the federal regional councils early in the Reagan years, and I guess the expectation was that you would use the federal executive boards where they existed.

Is that proving a viable mechanism or how are you doing it?

Ms. CARLILE. The way we are doing it, and this is what I mean by coordination, is to, first of all, obtain information from the local communities as to what activities they are engaged in, what their concerns are, what they are short on, what they can't do, what they can do, and then identify where the gap is and who can appropriately fill that gap.

WORKSHOPS

It might be the State. If so, then do the same thing at the State level. We will be having more regional workshops than are required by law. We will be having other kinds of workshops, too. We were just up in Chicago. We had more than 600 people attend along with the local officials. Mayor Daly was there, and made an announcement of some of the things that he is doing.

But this working together is how I see the Interagency Council playing a role and how I see it taking shape out there.

COORDINATION WITH THE LOCAL LEVEL

Mr. DELLIBOVI. Mr. Green, if I may interject, we are noticing that as a result of the Council's efforts other levels of government, State and local officials are coming to realize the value of coordination, and that is a good thing. That is coordination of services at the local level.

Secondly, in using my experience in the Department of Transportation, we had an interdepartmental memorandum of understanding with HHS, such as HUD now has with HHS. We found that a year or two later, as a result of the programs and concepts developed at the national level, the regional administrators of the Departments were able to have similar cooperative agreements at the regional level. I would envision that as we see the fruit from the agreement that Secretary Sullivan and Secretary Kemp have signed—as concepts are formulated—we will be able to promote coordination between the HUD regional administrators and their counterparts with HHS and perhaps some other programs as well.

Mr. GREEN. At Transportation you had a situation where you generally had fairly strong regional planning, which has been encouraged by the Department of Transportation, I guess, going back to the 1960's, 1961, whereas HUD, of course, dropped its 701 program about eight years ago.

Mr. DELLIBOVI. Yes, but in Transportation, interestingly enough, it was in the rural programs where there was the least program planning strength, and the same was true with HHS. They also didn't have coordination for services that people needed to get to.

Ms. CARLILE. By the way, staying on that subject for a moment, Transportation is playing a more significant role in the Council now, along with a number of other agencies.

MAJOR ACCOMPLISHMENTS

Mr. **Green**. What do you believe the council's major accomplishments have been this past year?

Ms. **Carlile**. I am glad you asked that question. I think the fact that we have put on four outstanding regional workshops where we brought together these various groups is a major accomplishment. I think what they are saying is very critical. They have for the first time gotten together to talk about what other individuals in their regions are doing.

I think that is very significant. We started out with 450 people at our regional workshop last July. Now, we are up to over 600. There is a tremendous amount of interest there. I think the fact that we put together what I consider an outstanding annual report is another example.

We ordered 3,000 copies of the report. I know we have sent many out, and it is being used more and more. Policy decisions have been coming out of the different agencies working together. When I first walked in, we were wondering how we were going to work together.

INTERAGENCY COOPERATION

Now, there are a lot of interagency agreements. There is one Memorandum of Understanding that HUD and HHS has put together, but also HUD is looking at doing some work with VA. They are talking about it right now with VA. Integrated services are being talked about more and more, and are resulting in accomplishments.

Also, the fact that we have gotten out program funding information that is absolutely essential for the providers is another accomplishment. Providers need this in order to apply for the money. They are getting that in a timely way, so I consider that an aspect of the law that we have tried to actively and aggressively address. I think we now have what I would consider a most effective Interagency Council because of the extreme interest by the agencies.

AFDC DEMONSTRATION

Mr. **Green**. One final area of interest to me, at the time we passed the legislation providing that New York City and New York State would not lose their welfare emergency housing money, we also put in a provision for a demonstration program as to how to use that money more effectively to try to create better shelter for the homeless.

Have you followed that at all? I understand Health and Human Services is going to be issuing an RFP shortly. Is that something that your Council——

Ms. **Carlile**. I am not familiar—are you familiar with that particular one? I am sorry, I will be glad to follow up with you on it.

Mr. **Green**. If you could provide some information for the record.

Mr. **DelliBovi**. We will supply that for the record.

[The information follows:]

HHS Demonstration Program to Provide Better Shelter for the Homeless

This demonstration program was authorized by Section 903 of the 1988 McKinney Amendments (P.L. 100-628) and $20 million was appropriated for fiscal year 1990. HHS will provide grants to at least two but no more than three States, to illustrate various methodologies and approaches for providing transitional housing to homeless families who are AFDC recipients and who are currently living in "welfare hotels" or similar types of commercial transient facilities. HHS published a request for applications on April 6, 1990. The closing date for submission of applications is July 5, 1990. An HHS representative discussed the program at a meeting sponsored by the Council in January 1990 for State contacts on the homeless, and we have featured the program announcement in a recent Council bulletin. The Council will continue to follow the progress of this demonstration closely.

The President's proposed Budget for fiscal year 1991 requests that the needs addressed under the HHS demonstration program be addressed through existing programs in HUD, with $20 million of the amount appropriated for the Transitional and Supportive Housing Demonstration Program in 1991 earmarked for this purpose.

Ms. **Carlile**. Is it NHHS?

Mr. **Green**. Yes, it is, because it is basically welfare funds. Well, Mr. Under Secretary, I think that concludes our questions, and we thank you and the Secretary and your staff for fully responding to our questions.

Mr. **DelliBovi**. Well, thank you very much. We look forward to continuing to work with you.

Mr. **Green**. We stand adjourned.

[Questions for the record and the justifications follow:]

Questions for the Record Provided by Chairman Traxler

Mr. Traxler

Community Development Grants

Question: The budget proposes $2.7 billion, a 6 percent cut from the current year ($163 million).

Part of the Secretary Kemp's justification for this is because the Secretary's Discretionary Fund has been redesignated "Special Purpose Grants" by the HUD Reform Act. (HUD budget proposes $14.5 million in FY '91 for Section 107 "Special Purpose Grants".)

Why a decrease in this important economic development program when the number of entitlement communities now numbers about 870, the number of eligible activities and federal mandates have been expanded, and the buying power of the dollar continues to decline?

(CDBG funding has declined 53 percent in constant dollars since 1981)

The Community Development Block Grant program is the only significant HUD funding that can be used for economic development. Secretary Kemp has said he wants to be the "Secretary of Urban Development", not the Secretary of Vouchers. This reduced funding flies in the face of the Kemp statement.

Answer: Because of the proposed reductions in "Special Purpose Grant", entitlement communities and States are reduced by only four percent from 1990 to 1991. The FY 1991 funding level proposed for the CDBG program is, in my view, prudent and appropriate. While the Department may differ with the Committee on some of the exact details of the FY 1991 Budget plan, there should be basic agreement on the desirability of continuing the CDBG program.

Mr. Traxler

Rental Rehabilitation Grant Program

Question: The HUD budget proposes $70 million for this program, down 45% from $128 million in the current year. HUD estimates an additional $20 million will be available through recaptured funds as well. Funds are allocated on a targeted formula basis to 575 metropolitan cities and urban counties and 47 States.

Why such a drastic reduction in this proven program?

The program has rehabbed 120,000 apartments in small multifamily properties for lower income renters since 1984 at an annual funding level of $200 million. In past years, the program is "coupled" with Section 8 rental assistance to make the rents affordable to this income group. The average per unit rehab cost is $4,300, a bargain price to produce an affordable apartment for low income rental.

(92% of the tenants are below 80 percent of the area median income. 71% are below 50% of the area median.)

With such a small amount of money, there is not enough to distribute to the 622 entitlement communities and states for a viable program.

HUD proposes "targeting" Rental Rehab monies to 50 yet-to-be-designated "Housing Opportunity Zones," which are working on reducing "barriers to the production of affordable housing. Those barriers, many believe, are rent control, codes, zoning. In the past Congress has rejected HUD attempts to preempt local decision-making in these areas.

Answer: The Rental Rehabilitation program has had some success; however, it is currently being re-evaluated to ensure that it is effectively meeting the needs of low-income families.

However, the $70 million being requested for FY 1991 will enable a significant level of rehabilitation to be initiated under the program. Also, States and cities use other flexible resources, both Federal and non-Federal, to undertake additional rehabilitation using the Rental Rehabilitation program design.

The question does make two incorrect assumptions:

1. There are only about 450 entitlement cities and 46 states (including Puerto Rico), or a total of under 500, not 622, entitlement cities and States participating in the program.

2. The Rental Rehabilitation program will nto be targeted only to the 50 Housing Opportunity Zone communities. All grantees will continue to be eligible for funding. Under the HOPE proposal, the 50 Housing Opportunity Zone communities will receive a 10percent bonus to ther formual entitlement. Other communities with approved Barrier Removal Plans will receive a 5 percent bonus. Although this would reduce the allocations to other communities, the latter would continue to participate.

Mr. Traxler

Number of Public and Indian Housing Units to be Tested/Abated for Lead-Based Paint

Question: Mr. Secretary, what is the Department's current estimate of the number of public housing units which must be tested and abated for lead paint pursuant to the Housing and Community Development Act of 1987?

Answer: Based on the Abt Associates' study of "The Cost of Lead-Based Paint Abatement in Public Housing," the Department estimates that there are 875,957 units of family Public and Indian Housing that were built or substantially rehabilitated before 1978 that must be tested and possibly abated in accordance with the Housing and Community Development (HCD) Act of 1987. The Abt Study found that at the 1.0 mg/cm^2 level on applicable surfaces, immediate hazards exist in 81 percent of the sample units built in 1950 or before; 64 percent of the sample units built between 1951-1959; and 48 percent of the sample units built between 1960-77.

However, not all of the 875,957 family units still need to be tested and abated. All projects funded in fiscal years 1988 and 1989 for the Comprehensive Improvement Assistance Program (CIAP), except for emergencies, were required to comply with the HCD Act of 1987. In fiscal year 1988, $48,445,620 were approved for lead-based paint abatement at 241 Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs). (The number of units funded in fiscal year 1988 is not available and comparable data for fiscal year 1989 currently is not available, but will be available at a later date.)

Mr. Traxler

Lead-based Paint in Public Housing

Question: What is the estimated total cost of testing those units and related common areas and grounds?

Answer: The Department is not prepared to provide an estimate of total testing costs at this time. Testing in the abatement demonstration is not complete, and analysis of the cost of testing in the demonstration will require care in order that the findings are representative of typical contexts, not of a research study. It is expected that an estimate will be available in the spring of 1991.

Mr. Traxler

Lead-Based Paint in Public Housing

Question: What is the per unit estimated cost of the testing?

Answer: The 24 units in the demonstration at Cambridge, MA cost $74,725 to test for a per unit cost of $3,113. However, this testing and evaluation was done in the context of a research demonstration with its associated redundancies. Testing of units for future abatement should be considerably less costly depending upon local statutes and abatement strategies used.

Mr. Traxler

Lead-based Paint in Public Housing

Question: What is the estimated cost and timetable for abating lead paint in those public housing units? Provide the cost on a per unit basis.

Answer: An estimated cost and timetable for abating lead-based paint in public housing will be provided in the Congressionally required Comprehensive and Workable Plan for Abatement in Public Housing. That plan will be prepared after results of the abatement demonstration are available and is scheduled for completion in June 1991. Any estimate provided at this time would be unsubstantiated.

Mr. Traxler

Workers to Test/Abate Lead-Based Paint

Question: What is the estimated cost of PHA worker training to test and abate?

Answer: At this time, the Department does not have an estimate of the cost to train PHA workers on lead testing and abatement.

Question: Number of workers needed?

Answer: The number of workers needed is based on current testing technology as well as the abatement method selected for an individual project. Worker training will be addressed in the Department's Comprehensive and Workable Plan for Public Housing which will be available in June 1991.

Mr. Traxler

Lead-Based Paint in Public Housing

Question: What is the estimated cost to safely dispose of lead paint, once abated? Please provide a per unit cost basis and description of disposal procedures.

Answer: The demonstrations have not proceeded to the point where lead paint removal costs can be determined. Costs for disposal at the FHA demonstration sites cannot be correlated with public housing since those units are single family detached as opposed to multifamily units in the public housing demonstration. Disposal costs will also vary considerably at each location depending on state and local regulations.

Mr. Traxler

Lead-based Paint in Public Housing

Question: What is the estimated cost of relocation of tenants in buildings undergoing lead paint testing and abatement? Provide a per unit or per project cost estimate.

Answer: Per unit data on relocation costs are not available from Public Housing data system. In the abatement demonstration, relocation will occur at two of the three sites, so some information will be available from those projects. An effort will be made in the Comprehensive and Workable Plan for Abatement in Public Housing to provide an estimate of relocation costs as a part of the total cost of abatement. That plan is schedule for completion in June of 1991.

Mr. Traxler

Lead-Based Paint Issues

Question: What is the estimated cost of insurance liability to public housing authorities and contractors testing and abating for lead paint?

Answer: The annual cost of the insurance premiums will be based on a percentage of the contract cost for testing and abatement/removal of lead-based paint and will be paid from available Modernization funds. In order to determine the actual percentage of the contract costs, however, the Department is planning to conduct a national solicitation for general liability coverage for the hazards associated with the testing and abatement/removal of lead-based paint. The coverage will be available to all 3,303 Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs). The solicitation is expected to be advertised on or before June 1, 1990 and the private insurance industry is anticipated to respond with a cost effective price for the coverage. The Department expects that coverage will extend to the both PHAs/IHAs and all contractors engaged in the work.

Question: The Department's budget does not contain a request for lead paint testing and abatement. Why not?

Answer: The Department's fiscal year 1991 Budget contains a request for $1,842,492,000 for Public and Indian Housing Modernization. Lead-based paint testing and any required abatement are considered to be eligible work items in the comprehensive modernization of a project. Therefore, the funds appropriated for Modernization will be used for rehabilitation, including testing and abatement for lead-based paint.

Question: The 5 year clock on testing for lead paint in public housing began running last December. How many units have been tested for lead paint pursuant to the requirements of the 1987 Act to date?

Answer: There are a total of 875,957 family Public and Indian Housing units that were built or substantially rehabilitated before 1978 that need to be tested and abated if the testing proves to be positive, excluding those units that received funds for Modernization (excluding emergency) requirements in fiscal years 1988 and 1989.

The Modernization Approvals Data Systems (MADS) shows that 241 PHAs and IHAs received $48,445,620 in fiscal year 1988 for testing and abatement. The fiscal year 1989 MADS data are not available at this time. Since the HUD reporting system does not reflect units that receive lead-based paint funding, data are not available that would indicate how many of the funded units have been tested and abated.

Mr. Traxler

Lead-Based Paint in Public Housing

Question: Has the demonstration mandated by the 1987 Act to show best methods for testing and abating lead in public housing begun? Where and when? How many units and PHAs are participating? When will the results of that demonstration be available to this subcommittee, the authorization subcommittee, and to local public housing authorities.

Answer: The demonstration has begun in three housing authorities - Cambridge, MA, Albany, NY and Omaha, NE. These locations were selected in November 1989 and involve 106 units. Preliminary information should be available for the demonstrations in December 1990. The final report will be submitted in June 1991.

Mr. Traxler

Multifamily Coinsurance Program

Question: I would like to ask a few questions about the demise of the coinsurance program for multifamily housing. First off, I take it you agree with me that government credit enhancement of some sort is absolutely crucial to the construction of affordable rental housing?

Answer: Government credit enhancements can be a significant tool in the development of affordable rental housing. However, these enhancements must be structured prudently to maintain an acceptable level of risk.

The fundamental structure of coinsurance led to very large losses. We are currently developing a delegated processing procedure under full insurance to augment the existing HUD field office delivery system. By utilizing private lenders for processing functions and keeping final underwriting decisions within HUD, we will be able to expand our ability to meet credit needs in a timely manner while efffectively controlling risk.

Mr. Traxler

Multifamily Coinsurance Program

Question: How many units of rental housing has the coinsurance program produced since its inception?

Answer: Program records indicate that under Section 221(d)(4), as of April 1, 1990, 52,779 units have been constructed of which 9,657 were under the Section 221(d) Retirement Service Center Program. Under Section 223(f) there are 306,671 units which have been purchased or refinanced. These amounts, however, only represent a small portion of the total rental housing financed in the United States.

Question: Am I correct in assuming that the great majority of those apartments were for low and moderate income families?

Answer: Most of the apartments financed under Sections 221(d) and 223(f) are serving families of low- moderate- middle income. These units are primarily unsubsidized, and are of moderate size and quality and rent at market rates. As you know, FHA insurance programs (other than those which also involve some type of rental subsidy) do not restrict the income of occupants but only the amount of the mortgage.

Mr. Traxler

Question: During the same time period, approximately how many rental housing units were constructed under HUD's full insurance program? Given these figures, I take it that coinsurance has been effectively HUD's only vehicle for the construction of rental housing?

Answer: Since the beginning of FY 1986, our program records show that the full insurance program has produced about 62,000 new units (primarily under Section 221(d)).

According to program records, the coinsurance Section 221(d) program has played a role in financing rental housing. In fiscal year 1988, 13,840 units were produced under coinsurance 221(d) while 10,229 units were produced under full insurance section 221(d). As you can see, coinsurance has not been HUD's only vehicle for insuring the construction of rental housing.

Mr. Traxler

Question: Since Secretary Kemp's announcement on January 17 of this year that the coinsurance program was to be terminated, how many coinsurance projects have been approved under the new precommitment review requirements?

Answer: Very few projects were submitted for precommitment review until several weeks after the January 17, 1990 announcement. The review process takes up to 45 working days. Twenty-five cases were submitted by April 25, when the U.S. District Court restrained HUD from enforcing precommitment reviews. Reviews of two cases were completed prior to the court order.

Mr. Traxler

Question: And, how many have been approved under the existing full insurance program within the same time frame?

Answer: Seven projects have been approved under full insurance since January 17, 1990.

Mr. Traxler

Question: I understand that the Department hopes to implement a "delegated processing" full insurance program for rental housing by the end of this year. How exactly would such a program differ from "precommitment reviews," and if the two are indeed conceptually similar, why can't HUD implement delegated processing more quickly, particularly in light of the obvious need for a functioning government credit enhancement program?

Answer: In general, the delegated processing program will reserve the actual underwriting decisions and all of the risk for HUD. In coinsurance, the lender does the processing, makes final underwriting determinations, and retains a portion of the insurance risk. The delegated processing program is still under Departmental consideration.

Mr. Traxler

Question: I understand that seven years of coinsurance have eroded the expertise of HUD's staff. Assistant Secretary Fitts has proposed that "star offices" be created to allow the processing of new projects. I assume the Department will need detail money in order to create such offices. Under HUD's 1990 budget, has any additional money been allocated to Salaries and Expenses? If so, are you prepared to allocate these funds for precommitment reviews? Would this be your first priority? If not, what other priorities come first?

Answer: The delegated processing program is under consideration and we have not finalized how we will staff this effort; however, there are no plans to create special "star" offices to handle the processing of new projects.

Mr. Traxler

Question: Have you considered contracting out some of the functions that would be performed by these "star offices?" Will delegated processing also require that personnel be shifted around HUD's various Field Offices? If so, does the Department foresee the need for additional 1991 funds to accommodate the costs for such personnel shifts?

Answer: The delegated processing program is now under consideration. Staffing issues are certainly part of the discussion regarding the program.

Mr. Traxler

Question: I notice that HUD has not given instruction on precisely what is supposed to be reviewed under "precommitment reviews." Has the Department examined its credit enhancement program with a view toward identifying which aspects are the most critical to protecting HUD's financial interests? Don't you think that the critical elements to review are rents, expenses and land costs? And wouldn't such a review be performed by a review appraiser? If HUD performed the review appraiser function instead of the coinsurer, wouldn't this adequately protect the Department?

Answer: The FHA and the Department of HUD have been attentive to these mortgage insurance underwriting issues since 1934. The critical elements in our review are the value of the property (the appraisal), the financial strength and credit history of the borrower, the quality of the physical design and construction (or the condition of a project in existing construction), and the strength of the surrounding economy and market.

Mr. Traxler

Cost of Public Housing Homeownership

Question: Your 1991 budget request contains approximately $412 million in the annual contributions for assisted housing account to fund a three-prong approach to protecting residents who would be adversely affected by project prepayment. One part is to offer tenant groups first right to purchase and convert their buildings to resident-owned structures. You indicate tenants would receive the equivalent of ten years of housing voucher costs to be used for acquisition, rehabilitation, technical assistance, and other uses (page 3). On the average, what would that amount to per unit? (Average unit cost per year for vouchers is approximately $5,800. Times ten would bring the total cost to approximately $60,000).

Answer: Page 11 - 4 of the Section-by-Section Explanation and Justification for the HOPE legislation indicates that homeownership grant could not exceed the present value of 10 years of the projected published Fair Market Rent. The HOPE booklet states that the cost of the homeownership option for projects eligible for prepayments will be "nearly a $60,000 grant per unit based on national averages." These funds can be used for acquisition, rehabilitation, technical assistance, and other needs.

The per unit figure was calculated using three variables and assumptions: the estimated average FMR for projects in the prepayment inventory ($565 per month or $6,780 per year); a projected escalation rate for the FMR (4 percent); and a discount rate to calculate the present value of future costs (8 percent). The 10-year present value (worth) factor for a 4 percent end-of-period escalation rate and an 8 percent beginning-of-period discount rate is 8.488. The present value of 10 years of the FMR is estimated to be $6,780 x 8.488 or about $57,550.

Question: Would the approximately $60,000 per unit be paid up front or over a ten-year period?

Answer: In the case of homeownership, the $57,550 would be paid up front for eligible activities including acquisition, rehabilitation, and technical assistance.

Mr. Traxler

Prepayment Incentives

Question: Another part of your proposal is to offer owners certain incentives not to prepay their mortgages. You indicate this could be accomplished through additional federal subsidies. What type of subsidies are you referring to and are they included in your 1991 budget request? If so, explain.

Answer: The inducements that the Department could use to encourage project owners not to prepay include: (1) modification of regulatory agreements; (2) Section 8 assistance; and (3) FHA insurance for specific types of loans.

The modification of regulatory agreements would allow owners to receive an increased rate of return on their investments and/or increase the owner's access to cash generated by or held in reserve for the property. FHA budget estimates assume these loans.

The Section 8 assistance is included in the $412 million estimate for the proposed Preservation for Homeownership program. In addition to providing assistance to tenant groups willing to purchase projects, this assistance can be provided for units in these projects that are not currently receiving subsidy based on eligible tenants or to amend contracts to bring units currently receiving subsidy up to an appropriate level (not to exceed a cap of 90 percent of the Fair Market Rent). Section 8 assistance under this program can also be used to extend the term of Section 8 contracts and to enable the tenants to afford the rents.

In addition to the Section 8 assistance, FHA insurance under the Section 241(d) Supplemental Loan program could be used as an incentive as well as the Section 241(f) Equity Loan program. The proceeds of the loans could be used by owners to finance project improvements. Projects may be eligible for a combination of Section 8 assistance and Section 241 loans with the additional Section 8 assistance used to retire debt service on the Section 241 loan.

Question: As I understand it, another option is to allow owners to prepay if they underwrite six month rent and moving expenses for tenants. How effective do you think that will be in a high cost area with a tight housing market?

Answer: Before the Department would approve a plan of action for prepayment, the owner would be required to place in escrow amounts sufficient to cover:

1. reasonable moving and related expenses;

2. security deposits and other related expenses associated with obtaining replacement housing; and

3. funds sufficient for 6 months of housing expense, that could be used for rental or homeownership housing.

The Department anticipates that the housing expense funds in escrow would be sufficient to obtain other rental housing, even in tight market areas. Further, an owner could agree to lease a unit in the project for which a plan of action has been submitted to the family for the 6-month period. The family would be charged 30 percent of income. This wuld allow the family the time to locate another rental unit. The proposed program allows the Department the flexibility to handle eachproject on a case-by-case basis. The Department's approach would differ from project-to-project based on certain project characteristics including local rental market conditions. The Department might focus primarily on providing owner incentives in order to keep a project, in a tight market area, from prepaying.

Question: If your legislative proposals regarding prepayment were enacted, how many units do you estimate would still be prepaid? Does anyone have an estimate for how many units may be prepaid notwithstanding our best efforts?

Answer: To date, the Department has received only eight bona fide requests to prepay without recourse to incentives. These eight projects represent 1 percent of the projects currently eligible to prepay. Their 663 units represent 0.6 percent of the units currently eligible to prepay. If this pattern remains consistent through fiscal year 1993, the number of projects prepaying would be 18, representing 1,200 units. However, the expenses that the owner would incur if he prepaid may reduce the number of prepayments.

Mr. Traxler

Fraud and Mismanagement by Public Housing Agencies

Question: Unfortunately, fraud and mismanagement problems continue. There have been recent revelations about fraud and mismanagement in Public Housing Authorities in New Jersey. As I understand it, the Newark HUD Field Office is undergoing a check also. How did the Housing Director of the Passaic Housing Authority draw salaries for four jobs at once and not be detected?

Answer: As of September 30, 1989, there were 3,131 Public Housing Agencies (PHAs) with 12,646 projects under management housing over 3,000,000 residents. To provide oversight of this huge inventory, HUD must allocate its limited resources judiciously. The Department has attempted, therefore, to develop means by which staff can provide limited oversight of certain PHAs in order to concentrate on those agencies having more severe problems. Included in this effort was HUD's Decontrol Program which was designed to relieve well-performing PHAs from much of HUD's monitoring and oversight requirements and permit the limited number of HUD staff to review other PHAs. Unfortunately, the standards developed to confer "decontrol" status upon a PHA were not comprehensive in their scope. Recognizing this, the Department had been working internally to develop new standards for the program. Upon discovering that the Passaic Housing Authority had qualified for "decontrol" status, HUD immediately suspended the program until new and more comprehensive standards are developed.

The Department has outlined certain performance standards contained in the Field Office Monitoring Handbook which focus on such things as physical condition, vacancies, uncollected rents, etc. Instances of suspected fraud or waste may be uncovered through audits performed by the HUD Inspector General or Independent Auditors. However, in the absence of these two types of audits, the various kinds of information and reports that are required to be provided by PHAs did not contain the detailed information that would have allowed Field program staff to identify the fraudulent actions of the Passaic Housing Authority.

For example, a limited management review was acceptable based upon the good physical condition of the Passaic Housing Authority's projects and the fact that the PHA successfully met or surpassed all of HUD's performance standards. Discrepancies relating to staffing would have been identified only during a full management review of staffing levels, salary comparability or other administrative activities. In addition, while each PHA is required to submit an operating budget and supporting documentation to the applicable HUD Field Office, the documentation submitted on the proration of salaries is provided on Form HUD-52566 which, unfortunately, currently provides only for the job title and salary, but not the name of the person who occupies the position. Thus, the Executive Director of the Passaic Housing Authority was able to report that the four positions in question were filled and the Newark Field Office was unaware that he was serving in all four positions and collecting all four salaries.

There is no doubt that HUD needs to improve its monitoring procedures. It is important to note, however, that what happened in Passaic was due, to a great extent, to a weakness in Department procedures which was exploited by a determined person using deception and intimidation. Correction of that weakness has been addressed, but it is always a difficult task in any enterprise to guard against such active deception.

Question: What about the alleged kickbacks for the former Perth Amboy housing chief?

Answer: On February 21, 1990, Anthony Slotwinski, who had been the Executive Director of the Perth Amboy Housing Authority for 14 years until his retirement in 1989, pleaded guilty to charges of bribery and tax evasion in connection with a kickback scheme with Alfred Bressaw, a contractor who performed work for the Authority. Mr. Slotwinski diverted approximately $1 million (mainly from an $8.6 million Modernization grant HUD had provided the PHA in 1986) to Mr. Bressaw through the use of emergency, no-bid contracts.

The New Jersey Strike Force, formed by Secretary Kemp after the discoveries in Passaic, began reviewing the Perth Amboy Authority before Mr. Slotwinski's plea. The HUD Inspector General has conducted a review of the PHA as well and is expected to issue his report soon.

The Newark Field Office has directed that the PHA be placed on a "zero threshold" for Modernization funds. This means that no contract work may be conducted or approved by the PHA until it is approved by the Newark Field Office. In addition, the Newark Field Office has been instructed to assist the PHA in developing a preventative maintenance program in order to reduce the need for emergency work and to take other specific steps to ensure that the PHA is in compliance with all Federal regulations. Also, HUD has suspended Mr. Slotwinski from any further dealings with any of the Department's programs.

Mr. Traxler

Indian Housing Projects Closed-Out

Question: There were a total of 141 Indian Housing projects closed out in 1988. The Department planned to close out 99 projects in 1989. How many Indian Housing projects representing how many units were closed out in 1989?

Answer: A total of 90 projects representing 2,390 units were closed out in 1989.

Question: How many Indian Housing projects representing how many units do you estimate will be closed out in 1990?

Answer: For 1990, the goal is to close out 82 projects representing 2,075 units.

Mr. Traxler

Financially Troubled Indian Housing Authorities

Question: There were 50 out of 175 Indian Housing Authorities classified as financially troubled at the end of 1988. How many Indian Housing Authorities were classified as "financially troubled" at the end of 1989?

Answer: There were 44 Indian Housing Authorities (IHAs) classified as "financially troubled" as of December 31, 1989 based on the Department's Administrative Capability Assessment (ACA) for IHAs.

Question: Explain the reason for any increase above 50.

Answer: There was no increase above 50 IHAs. The Department believes that the number of "financially troubled" IHAs has been reduced to 44 because IHAs have improved their management skills as a result of increased management oversight and additional technical assistance provided by the Department.

Mr. Traxler

Indian Housing Tenant Accounts Receivable

Question: Last year, HUD indicated that 99 Indian Housing Authorities had excessive Tenant Accounts Receivable at the end of fiscal year 1988 (page 180 of last year's hearings). How many Indian Housing Authorities had excessive Tenant Accounts Receivable at the end of fiscal year 1989? Explain any increase above 99.

Answer: At the end of fiscal year 1989, there were 96 Indian Housing Authorities (IHAs) with excessive Tenant Accounts Receivable (TARs) which was a reduction of three.

Mr. Traxler

Indian Housing Rents Outstanding

Question: The total dollar amount of rents outstanding at the end of fiscal year 1988 for all Indian Housing Authorities was $12.6 million. What was the dollar amount of rents outstanding at the end of fiscal year 1989?

Answer: Total Tenant Accounts Receivable (TARs) at the end of 1989 were $13,840,664, or an increase of 9 percent over 1989.

Question: Explain any increase above $12.6 million.

Answer: There are difficult problems involved in collecting rents and some increase is expected with the addition of nearly 2,400 units during the year to the inventory of available units.

The Department is continuing to encourage Indian Housing Authorities (IHAs) to reduce or stabilize the TARs situation by providing technical assistance, increasing on-site visits, monitoring IHAs and, where necessary, providing technical assistance to IHAs to evict tenants. The heightened focus on overall financial management also should strengthen the collection skills of IHAs.

Mr. Traxler

Nehemiah Housing Opportunity Grants Program

Question: Turn to the Nehemiah housing opportunity grants program. No appropriations are requested for this account in 1991. When do you expect to see some results in this program? How many homes will be purchased or rehabilitated by the end of fiscal year 1990 in this program?

Answer: In fiscal year 1989, HUD published a Notice of Funding Availability for the Nehemiah program and subsequently selected 15 projects, involving 1,321 units, to receive funding. The Nehemiah grants are made to non-profit organizations which, in turn, make second mortgage loans of up to $15,000 to eligible families to purchase new or substantially rehabilitated homes. We expect all the non-profit organizations to have their projects underway by September 1990. We estimate that approximately 150 homes will have been purchased by the end of fiscal year 1990.

Mr. Traxler

Flexible Subsidy Program

Question: Turn to the Flexible Subsidy program. Appropriation language is being proposed which would transfer the excess rental receipts in the Rental Housing Assistance Fund to the Annual Contributions for Assisted Housing account instead of the Flexible Subsidy Fund. Last year, you proposed transferring the excess receipts to the Treasury and that proposal was rejected. Did the Department propose this or was this OMB's idea?

Answer: The transfer of excess rental receipts to the Annual Contributions Account instead of to the Flexible Subsidy Fund was an OMB budget recommendation. The Department agreed to utilize the funds for homeownership opportunities while, at the same time, addressing needs formerly addressed by the Flexible Subsidy program through Section 8 assistance and the Section 241 Equity Loan program.

Mr. Traxler

FHA Fund

Question: Let's turn to the Mortgage and Loan Insurance Program. The 1991 budget requests (1) a limitation of $75 billion on FHA mortgage commitments--$62 billion for the Mutual Mortgage and Cooperative Management Housing Insurance funds and $13 billion for General and Special Risk Insurance funds, (2) a limitation of $151,125,000 on loan obligations in the Temporary Mortgage Assistance Payments program--$123.5 million under the Mutual Mortgage and Cooperative Management Housing Insurance funds and $27,625,000 under the General and Special risk insurance funds, (3) an appropriation of $317,366,000 for unrestored losses to the FHA-General and Special Risk Insurance funds during 1989 and (4) language authorizing funds in such sums as may be necessary in order to pay claims. Was splitting the mortgage commitment limitation and the Temporary Mortgage Assistance Payments program limitation HUD's or OMB's idea? Why should we separate the FHA fund into the two parts--(1) Mutual Mortgage and Cooperative Management Housing Insurance and (2) General and Special Risk Insurance? That would reduce your flexibility to administer the programs, wouldn't it?

Answer: The basic proposal to split the FHA Fund into two parts originated with the OMB. The technical changes, required as a result of this proposal, such as splitting the Mortgage Commitment Limitation and the TMAP limitation, were developed by HUD as part of the 1991 Budget preparation.

We should separate the FHA Fund into separate entities in order to properly reflect the operation and financial integrity of the various programs administered under the four insurance funds of the Federal Housing Administration.

Insurance programs administered and reported under "Federal Housing Insurance" are a diverse and dissimilar group of programs and are classified under the four insurance Funds. While the MMI Fund only insures single family mortgages, and is intended to be self-sustaining, the GI Fund includes Title I, single family and multifamily mortgages and the SRI Fund single family and multifamily mortgages. By definition, some of the programs of the GI and SRI Funds are actuarially unsound while others have become that way; some of the programs were designed to serve low income families and are used in conjunction with various subsidies, and other programs are targeted to inner city use. The different nature of these programs requires different program management and fiscal and administrative solutions. These differences are mirrored in the financial results from operations: the MMI/CMHI Funds have positive reserves, invest in Treasury Securities, pay dividends and are self-sustaining; the GI/SRI funds have negative equity and require borrowing and appropriations for continued operations.

We feel that programs this diverse, both financially as well as philosophically, should be maintained and managed as separate entities. In this manner costs, program effectiveness and fiscal initiatives can be properly measured and reported.

By splitting the FHA Fund into two separate entities, some administrative problems could arise. One problem area may arise in initially administering two Credit Limits instead of one. However, we are confident that these problems will be resolved and any possible negative impact from the split will be outweighed by the positive results from better program and fiscal management.

Mr. Traxler

Temporary Mortgage Assistance Program

Question: You are requesting a direct loan limitation on the Temporary Mortgage Assistance Payments program of $151 million in 1991. You have requested limitations for this program for a number of years but have never implemented it. You now indicate the program will be implemented in 1991. What is the problem in getting this program implemented? Have not all of the legal problems been resolved?

Answer: The difficulties encountered with implementation of the TMAP program have been both legal and administrative. The Department was on the verge of implementing TMAP in 1989; however, the funds allocated for a contract needed to support this program ($350,000) were not sufficient to cover the low bid of approximately $1 million. Therefore, the contract was not awarded and TMAP could not be implemented.

Class action litigation over the assistance criteria held up implementation for several years. Indeed the Department did not have a final rule governing the program until 1986 and the rule required further amendment in March 1987. Again, the regulations need further amendment to accommodate the Housing and Community Development Act of 1987.

Thus, except for the necessity of rulemaking, which may resolve the litigants' concerns, we feel that the legal issues have been resolved.

Mr. Traxler

Average Loss on Multifamily Sales

Question: In fiscal year 1987, for each multifamily project that was sold, HUD lost $12,807 per unit. In 1988 it was $24,980. What was the average loss for each multifamily unit sold in 1989? Explain any significant increase above the $24,980 level.

Answer: The average loss per unit on multifamily sales was $10,024 in 1989. While this amount was significantly lower than 1988's $24,980 level, the loss as a percentage of net investment was fairly constant. The table below provides more detail:

	Government Investment	Sales Price	Loss	% of Loss To Net Investment
1989 Sales	$15,724	$5,700	$10,024	63.75%
1988 Sales	39,900	14,920	24,980	62.61%

Mr. Traxler

Average Loss on Single Family Sales

Question: The average loss per unit sold on single-family properties was $18,520 in 1987 and $22,417 in 1988. What was the average loss for each single-family unit sold in 1989? Explain any significant increases above the $22,417.

Answer: The average loss per unit on sale of single family properties amounted to $22,570 in 1989. This compares to $22,417 reported for 1988. The table below compares the sales averages for 1988 and 1989:

	Government Investment	Sales Price	Loss	Percent of Loss To Net Investment
1989 Sales....	$60,960	$38,390	$22,570	37.02%
1988 Sales....	58,376	35,959	22,417	38.40%

Mr. Traxler

Housing Couseling

Question: Turn to the Housing Counseling Assistance program. The Department is requesting $3.5 million for this program in 1991. The Administration has not requested an appropriation for this program for years. Why after all these years of not requesting funds has the Administration now decided to support the program?

Answer: The Administration feels that the program has become increasingly important in order to abate higher default rates which have recently been experienced. The Department also feels that with the implementation of the HOPE program, prepurchase counseling to first-time homeowners is important.

Mr. Traxler

Congregate Services Program

Question: Turn to the Congregate Services program. As in past years no appropriation is requested for this account in 1991. The Congress has appropriated funds in the past to keep the existing projects in the program. There are currently 60 projects participating in the Congregate Services program.

How much did you request of OMB for this program in 1991? How would you have utilized the $15 million that you had requested, that is nearly three times the level provided in the past few years? How much money will be required in 1991 to fund all 60 projects currently in the program to at least April 1992? You may provide that information for the record.

Answer: The Department originally requested $15 million for the Congregate Services Program for 1991 in the Budget submission to OMB. At the time the OMB submission was formulated the details of the HOPE program had not been worked out.

The Department feels that a much better approach to the Congregate Services Program is the frail elderly demonstration under the HOPE program. This demonstration is proposed to be funded at $10 million for supportive services to be provided in conjunction with $34 million for housing vouchers for a total of $44 million.

The HOPE initiative is a demonstration of service-supported housing vouchers which will enable the elderly to live independently. Services to the elderly included under the proposed HOPE Grants initiative, will be linked with 1,500 housing (rental assistance) vouchers. This approach to housing the elderly will be used to test whether services provided in a variety of alternative housing situations will prove more effective than the Congregate Services program.

This is an increase from the 1990 Congregate Services Program of $38.2 million.

The original request of $15 million would have extended the 60 existing contracts for an additional 12 months and would have provided 3 year contracts for 30 new projects.

The Department would require $7 million to extend all contracts for an additional 12 month period.

Mr. Traxler

Manufactured Home Inspection and Mortgage Program

Question: Turn to the Manufactured Home Inspection and Monitoring program. No appropriation action is required for this program. A permanent, indefinite appropriation is available based on fees collected from manufactured home producers.

On page M-3, under Payments to State Agencies, the table shows you obligated $2,172,000 in 1989 for payments to State agencies. Last year you estimated obligating $3,290,000 for payment to State agencies in 1989. In 1988, you obligated $2,845,000 for payments to State agencies. Why were payments to State agencies in 1989 so much less than had been estimated last year for 1989 and had been obligated in 1988? What did you do with those funds?

Answer: The payments to the States were lower in 1989 than had been anticipated last year because a proposed increase in the payment to the states did not go into effect in 1989 and there were fewer transportable Homes produced and sited within the States participating in the program. The producers of manufactured housing pay an inspection fee for every transportable section produced. The Department, in turn, pays the participating State Agencies for inspecting completed units, for compliance with the established standards. The Department also pays the National

Conference of States on Building Codes and Standards (NCSBCS) for monitoring the performance of inspection agencies approved under the program. In addition, the program pays a part of administrative expenses by a transfer to the Department's Salaries and Expenses account (S&E).

Any excess funds remaining after the collection of the fees and the payment of the various expenses remains in the account as an unobligated balance which is carried into the next fiscal year.

Mr. Traxler

Secretary's Discretionary Fund

Question: The 1990 Appropriations Act earmarked $93.4 million for the Secretary's Discretionary Fund. The across-the-board reduction and sequestration reduced that amount by nearly $3 million. Of the $93.4 million, $43.4 million is for 40 projects outlined in the Conference Report--including three that are earmarked in the act. The 1989 HUD Reform Act did away with the Special Projects Category. However, an exception was made for the projects listed in the 1990 Conference Report. Have any of the 40 Special Projects been funded?

Answer: No.

Question: If so, which ones, and when do you plan to fund the others?

Answer: The Department has no plans to fund projects other than those projects mandated by the Act.

Question: If not, what does the Department intend to do with those funds?

Answer: The Department is prepared to reprogram the amounts available for these projects in accordance with the notification procedures of the Senate Report on the fiscal year 1990 appropriation. (S. Rep. 128, 101st Cong., 1st Sess., pp 5-6).

Question: If HUD has no plans to spend these funds, doesn't that amount to an impoundment? The 1990 Appropriations Act was signed into law five months ago.

Answer: The Department has plans to spend these funds. We understand, however, that the House Appropriations Committee desires that the Department not obligate the funds involved until the General Accounting Office has had an opportunity to review the effect of the Reform Act on the status of the funds. In light of this, the Department expects to take no further action on these amounts until the GAO review is complete. I should note that the Department is aware of the Senate's codification of the projects as part of the Supplemental currently moving through Congress.

Question: What does HUD intend to do with the $15 million earmarked in the Conference for Technical Assistance? This is in addition to the $10 million requested in 1990 for Technical Assistance.

Answer: The Department has combined the amounts into a $25 million Technical Assistance program for fiscal year 1990. It is planning to award the funds through a series of competitions to address Departmental priorities and the needs of CDBG recipients and participants.

Question: What does the Department intend to do regarding the three Special Projects listed in the 1990 Act?

Answer: The Department intends to fund these projects.

Question: What does HUD intend to do with the $3 million requested and provided for Special Projects in 1990?

Answer: The Department is prepared to reprogram these funds in accordance with the notification procedures of the Senate Report on the fiscal year 1990 appropriation.

Question: The 1990 HUD Reform Act changed the method by which the Indian program was funded. Additional legislation will be required in order to fund the Indian grants in 1990, won't it?

Answer: That is correct. The Department is proceeding with the Indian funding competitions, but will be unable to award the grants until the additional legislation is enacted into law.

Questions for the Record Provided by Congressman Boggs

Mrs. Boggs #1

Assistant Secretary for Public and Indian Housing

Question: Where are you in the process of nominating an Assistant Secretary for Public and Indian Housing? Why has it taken so long to fill this position?

Answer: Mr. Joseph G. Schiff, currently Manager, HUD Louisville, Kentucky office, was nominated by the President on April 19, 1990, to become HUD's Assistant Secretary for Public and Indian Housing.

Mr. Boggs #2

New Orleans Field Office Manager

Question: In order to help New Orleans focus on public housing clean-up, the HUD Area Office needs competent, reliable leadership. Please explain why your original vacancy announcement for the Area Office Manager was for a Senior Executive Service level employee and you later down-graded the position to a GM-15?

Answer: The original vacancy announcement was issued in error. A review was underway of Senior Executive Service (SES) positions to determine those that still warranted SES designation and those grade 15 positions that should be reclassified at the SES level. The paperwork authorizing the publication of the announcement at the SES level was prematurely prepared and the announcement distributed before the error was caught.

The New Orleans Office was the smallest SES Field Office in the Department and was smaller than seven grade 15 Field Manager positions. Since the position was vacant, it was appropriate to downgrade it at that time. The competing priorities for SES positions in the Department will require a continuing review of senior-level positions and decisions on where to best allocate our limited SES slots.

Question: Wouldn't an SES quality candidate be better equipped to manage the situation?

Answer: The qualification requirements for the Manager position at the GM-15 level are very similar to those at the SES level, and the quality of qualified candidates should be comparable to those who may have been attracted to the position at the SES level. In fact, many of those who applied at the SES level before the announcement was cancelled reapplied to the GM-15 announcement. The screening of candidates' qualifications and the rating and ranking processes are designed to surface the top candidates whether at the SES or GM-15 level. Incidentally, our full-service grade 15 Field Offices, seven of which are larger than the New Orleans Office, are run by top-quality Managers who are doing an excellent job in administering HUD programs across the country.

Mrs. Boggs #3

Temporary Mortgage Assistance Payments (TMAP)

Question: You are requesting a direct loan limitation for 1991 of $123.5 million for the MMI/CHMI Funds and $27.6 for the GI/SRI Funds to support the Temporary Mortgage Assistance Program (TMAP). I'm concerned that this program, if not efficiently administered, will burden mortgagees by adding another step in the process of either accepting mortgagors in the assignment program or foreclosure. This causes mortgagees the increased cost of carrying the properties in their portfolio without receiving mortgage payments. What mechanisms are in place to manage the workload for TMAP and ensure the efficient processing of applications?

Answer: The only step added to the current process of either accepting or rejecting mortgagors for assignment is the closing for the TMAP lien. If a lien cannot be obtained, HUD must take an assignment instead of providing TMAP. In connection with the lien, the TMAP closing requires a title search, a closing and recordation of the lien.

Mrs. Boggs #4

Congregate Services

Question: The Urban Institute's report on Congregate Services, sent to Congress by HUD in October 1989, recommended using the Congregate Services program as a laboratory to fine tune the provision of services to elderly. It states further that HUD should work with the Health Care Finance Administration (HCFA) to find the best means of providing services in the future. What efforts, in any, have been made to coordinate with HCFA when implementing the Congregate Services program?

Answer: We are now working on an elderly initiative with the Administration on Aging within the Health Care Finance Administration. However, this initiative is separate from the Congregate Services program.

Mrs. Boggs #5

Homeownership

Question: Please explain your plan to replace assisted housing units lost to homeownership.

Answer: The "Homeownership and Opportunity for People Everywhere" (HOPE) legislation would require replacement of each unit of Public Housing that is converted to homeownership which is not locally restricted for resale to lower income families (such as in a low-income, limited equity cooperative). Such replacement could be provided by any combination of new Public Housing development, rehabilitation of vacant Public Housing units, the acquisition of housing by a Resident Management Corporation to be operated as rental housing pursuant to limitations of Public Housing, the use of 5-year tenant-based assistance under Section 8, the use of comparable State or local programs for a term of assistance of not less than 5 years, housing produced under the Low-Income Housing Tax Credit, and non-profit housing developed under Subtitle C of Title I of HOPE (the HOPE II Non-Profit grant program).

Mrs. Boggs #6

Kenilworth-Parkside Homeownership Demonstration

Question: GAO completed a study in December 1989 on the Kenilworth-Parkside demonstration project. According to the GAO report, the property is currently undergoing modernization. The modernization was originally scheduled for completion in the fall of 1990. Is the modernization completion on schedule?

Answer: According to the District of Columbia's Department of Public and Assisted Housing, Kenilworth-Parkside (which originally was scheduled to have comprehensive modernization completed by September 1990) is approximately 1 year behind schedule at this time.

Question: What will the total cost be to HUD?

Answer: As of April 25, 1990, it is estimated that the total cost to HUD will be $27,650,930, or an average cost of $59,593 per unit.

Mrs. Boggs #7

Kenilworth-Parkside Subsidy Costs

Question: What are the estimated subsidy costs once the transfer is complete?

Answer: The Kenilworth-Parkside Resident Management Corporation has projected a cumulative, post-sale subsidy need of $9,441,797. This estimate is subject to further review and approval by HUD. This is the total cost of the Section 8 certificate subsidy for all phases of this project over a period of 7 years, or an average annual subsidy cost of $5,082 per unit.

Mrs. Boggs #8

Lead-Based Paint in Public and Indian Housing

Question: According to your budget justification on page P-5, you spent 2.5 percent of your total Public and Indian Housing Modernization funds on the removal of lead-based paint in FY 1988. This problem is so clearly a pressing concern for the nation. Why did you spend such a relatively small amount on it?

Answer: The Housing and Community Development Act of 1987 was passed in January 1988 and the Final Rule implementing the requirements of the Act were published on June 6, 1988. The issuance of the regulation was in the middle of the fiscal year 1988 Modernization Program funding cycle. Fiscal year 1988 was a transition year for lead-based paint (LBP) activities. Therefore, modernization approvals in fiscal year 1988 probably included funding for random and possibly further testing for the presence of lead paint. Abatement costs may not have been included becuase Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) could not provide reasonable estimates without test results. PHAs/IHAs have been instructed to request needed funds for abatement in the subsequent fiscal year. Therefore, the Department expects that the Modernization Approvals Data Systems (MADS) report which is expected to be completed in the early summer of 1990 will reflect both fiscal years 1988 and 1989 LBP testing and abatement costs within the Modernization funds that were approved by HUD in fiscal year 1989.

Mrs. Boggs #9

1989 Modernization Funds Used for Lead-Based Paint Abatement

Question: Can you tell me how much, as a percentage of the total modernization program, was spent on lead-based paint removal in FY 89?

Answer: That information will not be available until the early summer of 1990 when the Department's Modernization Approval Data Systems report for fiscal year 1989 is completed.

Mrs. Boggs #10

1991 Funds Requested for Lead-Based Paint Abatement

Question: A recent study published in the New England Journal of Medicine demonstrates that the long-term consequences of lead poisoning are profound. It serves as a reminder that the past use of lead-based paint leaves us with a serious problem. What is your total FY 1991 budget request for the abatement of lead-based paint?

Answer: The Department has not requested separate funding for lead-based paint activities for fiscal year 1991. However, funding will be provided from the $1.85 billion appropriation requested for Public and Indian Housing Modernization. During fiscal year 1988, over $48.4 million were approved for lead-based paint abatement in 241 Public Housing Agencies and Indian Housing Authorities. The interim lead-based paint (LBP) guidelines just published exclude those Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) that already have their Modernization work under contract. This includes almost everything already in the pipeline. The projects funded in fiscal year 1990 will not actually being abatement until fiscal year 1992. Fiscal year 1991 funds will be spent on planning and testing. The fiscal year 1992 Budget will be the first one to include the full impact of the LBP guidelines.

Mrs. Boggs #11

Public Housing Child Care Demonstration

Question: The $5 million that was appropriated for the Child Care Demonstration Program for FY 1990 has not yet been awarded. Where are you in the funding process and when can we expect to see the money going to worthy recipients?

Answer: The $5 million of fiscal year 1988 funds for the Public Housing Child Care Demonstration (PHCCD) was published in the Federal Register "Notice of Fund Availability (NOFA)" on August 17, 1988 and 57 applications subsequently received preliminary approval. Upon completion of negotiations, 56 grant agreements were awarded during fiscal year 1989. To date, one grant has not been awarded, but the Department is negotiating with the proposed grantee.

The grant agreements require the grantees to complete 12 months of performance after which a Government Technical Representative (GTR) grant assessment is performed. If the assessment is favorable, the Department requests the grantee to begin close-out of the grant agreement. At this time, fiscal year 1988 PHCCD grantees are nearing grant completion.

The $5 million of fiscal year 1989 funds were awarded January 16, 1990 and 55 grant applications were given preliminary approval and funds have been reserved. Negotiations for grant awards will begin when the Department receives the required information requested from each applicant that received preliminary approval.

The Notice of Fund Availability for fiscal year 1990 funds of $4.8 million is expected to be published in the Federal Register in late June 1990 and the application and award process will be completed during fiscal year 1990.

Mrs. Boggs #12

Homelessness

Question: There has been a lot of criticism concerning HUD's administration of the homeless programs authorized by the McKinney Act. Apparently, getting funding is difficult and bureaucratic. In a February New York Times article, Miss Knodratas states that the Administration is working to reduce the amount of red tape in the programs. What steps have been taken to make the programs more user friendly?

Answer: The Office of Special Needs Assistance Programs (located within CPD) was created to administer all of HUD's homeless programs (except the Section 8 SRO program). The Office's first task was to review regulations governing all five programs to simplify them, make them more responsive to the needs of the homeless and to recognize that most homeless providers are nonprofit that lack experience and resources. We have also improved the way HUD administers the Surplus Land program and have made more information available to potential users in a format that is easier to access. We've simplified the application forms needed to apply for our programs, including eliminating a cumbersome threshold system, and offered training sessions to assist people in applying for funds.

Mrs. Boggs #13

Homelessness

Question: A March 1989 GAO report indicated that HUD's Emergency Shelter Grants program was not easy to evaluate. Of the $58 million appropriated for FY 1987 and FY 1988, only 10 percent had been withdrawn by grantees. Can you explain the causes of slow withdrawal by grantees?

Answer: First, let me point out that since that study occurred, 100% of both the $50 million appropriation and of the subsequent $8 million appropriation have been obligated. Of the $50 million, 95 percent had been spent and 91 percent of the $8 million had been drawn down as of March 31, 1990. The nature of the Emergency Shelter Grants program accounts, in part, for the estimated three-year spendout rate. This is because States, which account for about half of grant funds, may not spend the funds themselves and so must make the funds available to units of government or nonprofits. Many cities choose to do the same. The process takes some time. Over half the funds are used for rehabilitation activities which take time to carry out. Nevertheless, we too are concerned that funds get to those for whom they were intended as quickly as possible. For this reason, we have introduced a new expenditure standard in our regulations where previously there was only one requiring obligation of funds in a certain period. This will result in faster delivery of resources.

Mrs. Boggs #14

Obligation of Fair Housing Initiative Program Funds

Question: On page L-1 of your justification, you indicate that the FY 1990 budget assumed that $5 million would be obligated for the Fair Housing Initiatives Program (FHIP). The assumption was wrong and the money was not obligated because final regulations were not published on time. Would you explain why the regulations came out late?

Answer: The FHIP regulations were published in January 1989. However, due to statutory requirements, the regulations did not become final until May 9, 1989. The statute required that the regulations be published at least 90 days before it could become effective. Normally, a 30-day waiting period is sufficient. Consequently, over half of the fiscal year had already passed. In addition, the same staff responsible for drafting the regulations were also involved in other activities implementing the Fair Housing Amendments Act. Those activities included, but were not limited to, conducting education and outreach activities; providing technical assistance to fair housing agencies; and assisting in making changes to the Complaint Compliance Reporting System. Finally, because the regulations were not published until May 9, 1989, publication of the Notice of Fund Availability and the awards process precluded any obligations or outlays during 1989.

Question: Also, could you tell me if the FY 1990 funds are in the process of being obligated, and if so, when will the funding be completed?

Answer: The $5 million that you refer to in your previous question represent 1989 carryover funds which were not obligated in 1989. As of April 28, 1990, $164 thousand had been obligated under the Education and Outreach Initiative component of FHIP, using 1989 carryover funds.

Through April 1990, no 1990 funds had been obligated under FHIP. However, the Department is reviewing proposals for the Education and Outreach component of FHIP and expect to begin making awards to successful applicants in May 1990. The 1990 NOFA for the Private Enforcement Initiative is currently going through Departmental clearance and should be issued shortly. The entire amount of FHIP funds available ($10.8 million) should be obligated by September 30, 1990.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENTAL SUMMARY
HOUSING
PUBLIC AND INDIAN HOUSING
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

1991 BUDGET

INTRODUCTION

HUD BUDGET TOTALS

These three volumes present the 1991 Budget estimates for the Department of Housing and Urban Development.

	Budget Authority				
	Requiring Appropriations Action	Permanent BA Not Requiring Cong. Action* ($ in Millions)	Total	Outlays	Staff Years
1989 Actual..............	$12,622	$1,725	$14,347	$19,680	13,469
1990 Estimate............	14,656	3,712	18,368	22,802	13,493
1991 Request.............	21,362	2,338	23,700	23,023	14,218

* Includes: Public Housing Loan Fund, FHA net borrowings and debentures, Manufactured Home Inspection and Monitoring, Interstate Land Sales Registration, and other changes reflected in Table II (Budget Authority by Program) of this volume.

MAJOR PROGRAM CHANGES FOR 1991

I. HOPE: Homeownership and Opportunity for People Everywhere

Homeownership and Opportunity for People Everywhere (HOPE) is being proposed by President Bush and Secretary Kemp to:

(1) Expand opportunities for low- to moderate-income families to manage rental properties and eventually own their own homes;

(2) Reduce or eliminate artificial barriers in developing low-cost housing;

(3) Help very low-income families struggling against dependency to achieve economic self-sufficiency;

(4) Address the needs of the long-term homeless for housing, intensive social services, and health care; and

(5) Create jobs and economic opportunities in distressed inner city and rural areas.

The HOPE program includes a number of new budget proposals which will be funded from several appropriation accounts. The program also includes incentives through the tax system. The following table lists the estimated budget amounts for the major HOPE program components for fiscal years 1991-1993.

SUMMARY OF HOPE INITIATIVES
Fiscal Year 1991-1993

	1991		1992		1993		3-YEAR TOTAL	
	Units	Budget Resources	Units	Budget Resources	Units	Budget Resources	Units	Budget Resources
				(Dollars in Thousands)				
Homeownership and Opportunity for People								
Everywhere (HOPE Grants)	NA	$249,660.0	NA	$650,000.0	NA	$1,000,000.0	NA	$1,899,660.0
HOPE funding included in Annual Contributions:								
Public Housing Homeownership	6,000	251,170.5	a/	a/	a/	a/	6,000	251,170.5
Elderly Independence Demonstration	1,500	34,050.0	b/	b/	b/	b/	1,500	34,050.0
Preservation Through Homeownership	12,500	411,740.5	9,000	316,998.0	10,000	345,487.0	31,500	1,074,225.5
Program for the Homeless	2,305	85,406.3	2,305	86,787.0	2,305	86,600.0	6,915	258,793.3
Total Annual Contributions	22,305	782,367.3	11,305	403,785.0	12,305	432,087.0	45,915	1,618,239.3
Rental Housing Assistance for Homeless	6,600	160,782.0	6,600	167,213.0	6,600	173,400.0	19,800	501,395.0
Total Appropriated Funds	28,905	1,192,809.3	17,905	1,220,998.0	18,905	1,605,487.0	65,715	4,019,294.3
Tax Expenditures:								
Enterprise Zones	NA	50,000.0	NA	160,000.0	NA	310,000.0	NA	520,000.0
Retirement Accounts—IRAs/401(k)	NA	40,000.0	NA	60,000.0	NA	90,000.0	NA	190,000.0
Tax Credits (LIHTC)	NA	97,000.0	NA	284,000.0	NA	405,000.0	NA	786,000.0
Total Tax Expenditures	NA	187,000.0	NA	504,000.0	NA	805,000.0	NA	1,496,000.0
Total Federal Expenses	28,905	1,379,809.3	17,905	1,724,998.0	18,905	2,410,487.0	65,715	5,515,294.3
Matching Funds:								
HOPE Grants Match	NA	119,900.0	NA	325,000.0	NA	500,000.0	NA	944,900.0
Homeless Initiatives Match c/	NA	236,000.0	NA	243,000.0	NA	249,000.0	NA	728,000.0
Total (Matching Funds)	NA	355,900.0	NA	568,000.0	NA	749,000.0	NA	1,672,900.0
Grand Total	28,905	1,735,709.3	17,905	2,292,998.0	18,905	3,159,487.0	65,715	7,188,194.3

a/ The Department's legislative proposal would remove the requirement for replacement units when a homeownership unit is not removed from the low-income housing stock. Since it is not possible to determine at this time how many units would be involved, no figure has been included for the out-years pending future determination.
b/ Future year amounts depend upon the success of the initial demonstration.
c/ Components of "Shelter Plus Care" program.

The components of the HOPE program are described below:

HOPE Grants

A $250 million grant program is proposed to enable low-income families to become homeowners with a stake in their communities by providing funds for resident homeownership in public housing, Government-held vacant and foreclosed properties and financially "distressed" properties held in the FHA portfolio. Included within the amount requested is $10 million to fund a services component to be linked to 1,500 vouchers for the elderly.

States, localities and non-profit organizations generally will be required to provide $1 for every $2 in Federal HOPE Grant funds.

Prepayment Strategies

Over the next 15 years, owners of over 334,000 units of FHA-insured multifamily housing will become eligible to prepay their mortgages. These properties could then be converted into condominiums or continue as rental properties—but with much higher rents. Therefore, low-income people who now live in these properties would no longer receive some form of assistance. Therefore, the HOPE initiative proposes $412 million in 1991 and $1.074 billion over the 1991-1993 period to alleviate these problems. The initiative includes a means to allow some tenants to purchase their units, provides funds to encourage some building owners to continue apartments as low-rent units and, if necessary, will provide vouchers for some tenants to enable them to afford to stay in projects or relocate to other units.

Support for Public Housing Homeownership

To facilitate homeownership opportunities under the HOPE initiative, the Department has included within its Annual Contributions request funding for 6,000 vouchers and certificates. These subsidies will be used to relocate residents, replace rental units lost to homeownership as rental assistance for non-purchasing tenants, and post-sale assistance to purchasing residents.

Operation Bootstrap

Operation Bootstrap requires that the local housing authorities and their local governments demonstrate to HUD that welfare families and families with very low earnings will have access to a comprehensive program which combines housing assistance with supportive services such as job training and child care. Starting in 1991, all incremental housing vouchers and rental certificates which are provided to these families must be combined with a local program to help them escape from dependency.

Housing Opportunity Zones

The Budget proposes a Federal-local partnership to remove barriers to, and create incentives for, more affordable housing for low- and moderate-income families in distressed areas. It is similar in concept to the Administration's Enterprise Zone proposal. HUD will designate 50 zones to be chosen competitively.

Low-Income Housing Tax Credits

The low-income housing tax credit has been extended through December 31, 1990 and is proposed for further extension through December 31, 1991. The credit provides real estate investors tax savings over a 10-year period and encourages new construction and rehabilitation of affordable rental housing in those areas with rental shortages.

IRAs for Homebuyers

To expand homeownership opportunities for young families and first-time homebuyers, the Administration is proposing that first-time homebuyers be allowed to withdraw funds in their Individual Retirement Accounts (IRAs) without penalty to help them purchase homes. The maximum amount that could be withdrawn for a downpayment would be $10,000 and the maximum house price would be 110 percent of the average area purchase price.

Elderly Independence Demonstration

Within the request for Annual Contributions for Assisted Housing is $34 million for 1,500 vouchers to be used by elderly people to help prevent their institutionalization.

Helping the Homeless

The HOPE initiative includes a new "Shelter Plus Care" program, consisting of three, separate housing assistance programs for those homeless persons who are seriously mentally ill or have chronic problems with substance abuse. These programs, which are described under XIV of this Introduction, are proposed for funding at $247 million in 1991.

Enterprise Zones

This part of the initiative will create 50 Enterprise Zones in the Nation's most economically distressed areas within which tax incentives will be available to stimulate small business development and economic growth.

II. Urban Homesteading

In addition to $50 million for the present Urban Homesteading program, the Department will provide $329 million in Section 8 subsidies to assist tenant groups in acquiring multifamily properties currently held by the Department. This program will assist in preserving and revitalizing inner city neighborhoods.

III. FHA Reforms

The Administration's proposed reforms, many of which have just been enacted into law, represent a crucial step in ensuring the long-term financial solvency of the FHA Fund. One of these reforms targets FHA insurance more to first-time homebuyers by eliminating investors from participating in the program. The continuation of the losses projected in this Budget demonstrates the need for additional changes to assure the solvency of FHA's single family program. Once the actuarial study of the FHA Fund is completed, the Administration anticipates submitting specific changes to address these long-term financial problems.

IV. Assisted Housing

The 1991 Budget proposes:

- A $13.4 billion program level under Annual Contributions will fund 75,449 incremental units and a total of 99,399 units.

- The 75,449 incremental units include:

  - -- 47,924 Vouchers;
  - -- 8,003 Section 8 Existing units;
  - -- 4,797 Section 202 Elderly units;
  - -- 2,170 Handicapped units;
  - -- 1,305 Single Room Occupancy units for the Homeless; and
  - -- 11,250 for Property Disposition and Preservation.

In addition, the Department is proposing to provide 6,600 incremental units under the Rental Housing Assistance for the Homeless program for an incremental total of 82,049 units.

V. Families Being Assisted

At the end of 1989, 4.3 million families were being assisted under HUD's subsidized housing programs. This number will grow to 4.4 million in 1990, and 4.5 million families by the end of 1991.

VI. Modernization

The Budget proposes an appropriation of $1,850 million for modernizing Public and Indian Housing under a separate appropriation in 1991. This includes $5 million for Resident Management Assistance and $2.5 million to be transferred to PD&R for program evaluation and monitoring activities.

VII. Public Housing Operating Subsidies

$1,826 million is being requested to provide funding in 1991 for Operating Subsidies for Public Housing Agencies and Indian Housing Authorities.

VIII. Drug Elimination Grants

A new separate appropriation of $150 million is proposed for Drug Elimination Grants to Public Housing Agencies and Indian Housing Authorities. A net total of about $48 million was appropriated under the Annual Contributions account for this purpose in the 1990 Appropriations Act, and $50 million was included within Operating Subsidies under the Department of Transportation appropriation.

IX. Section 202 Housing for the Elderly or Handicapped

The Budget proposes a loan limitation of $282.5 million which will support 3,967 units of new construction for elderly and handicapped people. In addition, the Budget proposes 3,000 units for leasing, with subsidy only, to assist the elderly and handicapped for a total program of nearly 7,000 units.

X. Government National Mortgage Assistance (GNMA)

- The Budget proposes an $80 billion limitation on new commitments for guarantees of Mortgage-Backed Securities.
- The Budget anticipates a legislative proposal to increase guarantee fees paid by GNMA issuers from 6 basis points to 10 basis points in 1991.

XI. Community Planning and Development

- A $2,752 million appropriation is proposed for Community Development Block Grants (CDBG) and legislation will be proposed to better target these funds to low- and moderate-income persons.
- $50 million--a major increase over the $13 million level of prior years--is proposed for the Urban Homesteading Program as discussed under the HOPE program. In addition, the Budget proposes to expand the program in 1990 by transferring $11.5 million of UDAG funds to Urban Homesteading.
- $69.9 million is proposed for Rental Rehabilitation Grants in 1991. In addition, the Budget estimates $20 million will be available from recaptured funds for a total program of $89.9 million. A legislative proposal would revise the program's allocation formula to provide additional funds to communities with designated "Housing Opportunity Zones."

XII. Policy Development and Research

$48 million is proposed to conduct HUD's research program which includes an appropriation request of $23 million, and proposed transfers from other accounts of $25 million to expand evaluation and monitoring of HUD programs.

XIII. Fair Housing and Equal Opportunity

A $12.2 million appropriation is proposed, including $5.6 million for the Fair Housing Initiatives Program (FHIP) and $6.6 million for the Fair Housing Assistance Program (FHAP).

XIV. Homeless Programs

The 1991 Budget proposes $462 million to fund HUD homeless programs including:

- $71 million for Emergency Shelter Grants;
- $144 million for Transitional and Supportive Housing, of which $20 million will be set-aside for a new initiative to assist families under the AFDC program; and
- $247 million for the "Shelter Plus Care" program, as part of the HOPE initiative. Funding for Shelter Plus Care includes:
  - -- $161 million for a new Rental Housing Assistance for the Homeless program;
  - -- $50 million for the Section 8 Moderate Rehabilitation (Single Room Occupancy) program, and
  - --$36 million for the Section 202(h) for the homeless program.

XV. Staffing and Related Expenses

- The 1991 Budget proposes $844 million for administrative expenses of the Department, including $37.8 million for the Office of Inspector General. The total consists of $455 million in appropriations and $389 million in transfers from FHA.
- The staffing request is for 14,218 staff-years, including 550 staff-years for the Office of Inspector General. The request represents an increase of 725 staff-years for the Department in 1991.
- The funding would support the higher staffing level as well as other reform initiatives, including partial funding of the HUD Integrated Information Processing Service (HIIPS) which will enable the Department to improve its financial and management information systems.

EXHIBIT I

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	Actual 1989	Estimate 1990	Estimate 1991
	(Dollars in Thousands)		
HOUSING			
HOPE Initiative—Homeownership and Opportunity for People Everywhere:			
Hope Grants	...	...	$249,660
Hope activities included within Subsidized Housing (Annual Contributions)	...	...	782,367
Rental Housing Assistance for the Homeless (CPD)	...	...	160,782
Subtotal, Appropriated Funds	...	...	1,192,809
Tax Expenditures	...	...	187,000
Subtotal, Federal Expenses	...	...	1,379,809
Matching Funds	...	...	355,900
Total, HOPE Initiative	...	...	1,735,709
Annual Contributions for Assisted Housing Unit Reservations (Gross):			
Incremental Units:			
Section 8:			
Section 202 New Construction	6,717	5,593	3,097
Section 202 Leased	...	...	1,700
Housing Vouchers	46,694	23,072	43,038
Section 8 Certificates	18,765	30,523	6,889
Public Housing Homeownership	...	2,000	6,000
Moderate Rehabilitation	691	2,114	...
Single Room Occupancy	1,205	1,995	1,305
Prepayment/Homeownership	...	...	6,250
Property Disposition	...	...	5,000
Subtotal, Section 8	74,072	65,297	73,279
Section 202(h) Handicapped:			
New Construction	2,456	2,096	870
Leased	...	...	1,300
Subtotal, Handicapped	2,456	2,096	2,170
Public and Indian Housing	6,724	8,115	...
Total, Incremental—Annual Contributions	83,252	75,508	75,449
Rental Housing Assistance for the Homeless	...	...	6,600 a/
Total, Incremental Units	83,252	75,508	82,049
Nonincremental Units	6,875	23,157	23,950
Total, Unit Reservations	90,127	98,665	105,999

EXHIBIT I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	Actual 1989	Estimate 1990	Estimate 1991
	(Dollars in Thousands)		
Use of Budget Authority:			
Section 8:			
Housing Vouchers	$1,292,399	$784,283	1,564,744
Section 202 Elderly	1,036,632	1,224,532	704,798
Existing Certificates	565,101	1,134,986	367,663
Moderate Rehabilitation	62,092	240,717	...
Single Room Occupancy Homeless	44,996	73,207 b/	49,571
Prepayment Initiative	...	...	411,741
Urban Homesteading Homeownership Initiative	...	...	329,390
Loan Management/Property Disposition	201,836	800,137	110,150
Renewal of Expiring Contracts	55,205	1,074,492 b/	7,734,985
Conversions	15,081	11,031	22,789
Amendments	1,138,696	1,369,552	1,810,442
Total, Section 8	4,412,038	6,712,937	13,106,273
Section 202(h) Handicapped	355,502	362,357	237,956
Public and Indian Housing	2,193,031	2,754,694	82,100
Rental Housing Assistance for the Homeless	...	...	160,782 a/
Total, Budget Authority	6,960,572	9,829,988	13,587,111
Housing Payments			
Units Eligible for Payment, End of Year (Net):			
Public and Indian Housing	1,403,816	1,403,300	1,403,900
Section 8 and Section 202	2,419,866	2,531,300	2,657,000
All Other	491,635	481,400	475,900
Total	4,315,317	4,416,000	4,536,800
Outlays:			
Public and Indian Housing	$1,523,998	$2,234,086	$2,770,324
Section 8 and Section 202	9,917,596	10,596,164	11,552,094
All Other	792,918	804,429	795,201
Total	12,234,512	13,634,679	15,117,619
Congregate Services Program			
Obligations	8,179	6,435	...
Section 235 Homeownership Assistance			
1981 Appropriation:			
Budget Authority Used (Amendments)	515	7,050	7,050
Restructured Program:			
Budget Authority Used (Amendments)	1,236	3,100	3,100
Unit Reservations	...	...	...
Net Recaptures/Rescissions--Refinancing	...	$190,993	...

EXHIBIT I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	Actual 1989	Estimate 1990	Estimate 1991
	(Dollars in Thousands)		
Section 236 Rental Housing Assistance			
Use of Contract Authority	$54,400	$225,000	$151,390
Estimated Rescission:			
Contract Authority	2,000	2,000	2,000
Budget Authority	50,000	48,000	46,000
Rent Supplement			
Use of Budget Authority	22,837	55,844	53,222
Rental Housing Development Grants (HODAG)			
Obligations	17,336	...	...
Number of Units Assisted	609	...	...
Nehemiah Housing Opportunity Grants			
Appropriation	$20,000	24,205	...
Obligations	...	44,205	...
Flexible Subsidy Fund			
Reservations (Gross)	31,288	66,179	36,326
Obligations	22,418	55,348	49,331
Projects Assisted	31	63	33
Mortgage Insurance Programs			
Insurance Applications (Units):			
Single Family	995,265	1,098,063	1,133,607
Multifamily	72,311	75,510	72,760
Total, New Applications	1,067,576	1,173,573	1,206,367
Federal Credit Limitation:			
MMI/CMHI Funds c/			
Limitation on Commitments	$96,000,000	$73,837,500	$62,000,000
Use of Limitation	(54,394,011)	(63,588,345)	(55,153,517)
Unused Balance	41,605,989	10,249,155	6,846,483
GI/SRI Funds			
Limitation on Commitments	...	...	13,000,000
Use of Limitation	...	...	(11,213,165)
Unused Balance	...	...	1,786,835
Mortgage Insurance in Force, End of Year	321,667,695	350,974,055	382,565,481

EXHIBIT I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	Actual 1989	Estimate 1990	Estimate 1991
	(Dollars in Thousands)		
Insurance Written:			
Single Family	$43,099,151	$47,795,471	$51,759,704
Multifamily	2,657,354	3,226,408	3,440,222
Total Written	45,756,505	51,021,879	55,199,926
Title I Insurance:			
Units	98,703	101,000	107,000
Amount	$1,060,511	$1,098,500	$1,226,500
Title I Insurance in force, End of Year	4,348,000	4,603,000	4,798,000
Mortgage Assignments (Units):			
Defaulted Notes:			
Single Family	9,338	9,300	...
Multifamily	19,634	69,800	21,700
Subtotal	28,972	79,100	21,700
Current Section 221(g)(4) Notes:			
Single Family	2,475	3,500	3,500
Multifamily	7,155	45,240	6,815
Subtotal	9,630	48,740	10,315
Total, Assignments	38,602	127,840	32,015
Dollar Value of Assignments	$1,107,386	$2,150,171	$833,613
Property Acquisitions (Units): d/			
Single Family	90,771	92,886	99,866
Multifamily	1,690	1,440	1,440
Total, Acquisitions	92,461	94,326	101,306
Dollar Value of Acquisitions	$4,913,238	$5,218,154	$5,833,693
Property Sales (Units):			
Single Family	85,318	92,938	93,110
Multifamily	4,622	2,377	5,857
Total, Sales	89,940	95,315	98,967
Sales Proceeds e/	$3,318,569	$3,595,618	$3,837,924

EXHIBIT I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	Actual 1989	Estimate 1990	Estimate 1991
	(Dollars in Thousands)		
Temporary Mortgage Assistance Payments (TMAP):			
MMI/CMHI Funds c/			
Limitation Enacted	$103,350	$87,227	$123,500
Used	...	...	(123,500)
Unused Balance	103,350	87,227	...
GI/SRI Funds			
Limitation Enacted	...	...	27,625
Used	...	...	(27,625)
Unused Balance	...	...	...
Housing for the Elderly or Handicapped			
Units Reserved:			
Direct Loan:			
Section 202 (a) Elderly	6,717	5,593	3,097
Section 202(h) Handicapped	2,456	2,096	870
Total Direct Loan (New Construction)	9,173	7,689	3,967
Leased Existing Units:			
Section 202 (a) Elderly	...	...	1,700
Section 202(h) Handicapped	...	...	1,300
Total Leased Existing (Rental Assistance)	...	...	3,000
Total Section 202 Elderly and Handicapped	9,173	7,689	6,967
Federal Credit Limitation:			
Gross Loan Limitation	$480,106	$472,664	$282,543
Gross Loan Reservations	477,722	472,664	282,543
Nonprofit Sponsor Assistance			
Federal Credit Limitation (Gross Obligations)	960	1,069	530
Reservations	960	1,069	530
Number of Reservations	73	82	40
Housing Counseling Assistance			
Number of Clients Counseled (Estimate)	34,970	34,460	34,980
HUD - Approved Counseling Agencies	500	500	500
HUD - Funded Counseling Agencies	285	200	285
Obligations	$3,497	$3,446	$3,498
Manufactured Home Inspection and Monitoring			
State Plans Approved	35	35	35
Manufactured Homes Produced	209,154	215,000	215,000
Transportable Units Produced	308,421	305,000	305,000
Obligations	$5,769	$7,309	$8,360 f/
Interstate Land Sales			
Total Number of Filings	1,992	1,800	1,800

EXHIBIT I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	Actual 1989	Estimate 1990	Estimate 1991
	(Dollars in Thousands)		
PUBLIC AND INDIAN HOUSING			
Annual Contributions for Assisted Housing (Development)			
Unit Reservations (Gross):			
Public Housing	5,246	6,293	...
Indian Housing	1,478	1,822	...
Total, Unit Reservations	6,724	8,115	...
Use of Budget Authority:			
Public Housing	$381,145	$443,210	...
Indian Housing	102,699	136,099	...
Amendments and Lease Adjustments	60,468	199,620	$82,100
Total, Budget Authority	544,312	778,929	82,100
Modernization (Reservations):			
From Annual Contributions account	1,648,720	1,975,765	...
From Proposed Modernization account	...	...	1,847,492
Drug Elimination Grants:			
From Annual Contributions account	...	48,409	...
From Operating Subsidies account	...	58,200	...
New account	...	...	149,798
Total, Program Level	...	106,609	149,798
Low-Rent Public Housing Loan Fund			
Loans Outstanding, End of Year	20,634	20,634	20,634
Loans Written Off	634,971	400,000	200,000
Budget Authority Recaptured and Rescinded (Annual Contributions--Debt Forgiveness)	2,227,626	10,000,000	10,000,000
Payments for Operation of Low-Income Housing Projects Obligations (Excluding drug elimination funds)	1,682,932	1,757,039	1,825,731
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Management and Liquidating Functions			
Mortgage Sales (Gross)	34,101	...	...
Guarantees of Mortgage-Backed Securities			
Federal Credit Limitation	144,000,000	81,713,500	80,000,000
Commitments (Issued)	55,117,655	74,535,009	79,833,979
Guarantees Issued in Year	55,374,090	62,112,508	66,528,316
Securities Outstanding, End of Year	361,755,744	390,109,830	417,278,996
Property Acquisitions (Units):			
Single Family	624 g/	2,034	2,645
Mobile Homes	6,816 h/	6,874	5,777
Total, Acquisitions	7,440	8,908	8,422
Property Sales (Units):			
Single Family	213 g/	1,016	2,074
Mobile Homes	8,457 h/	7,238	6,818
Total, Sales	8,670	8,254	8,892

EXHIBIT I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	Actual 1989	Estimate 1990	Estimate 1991
	(Dollars in Thousands)		
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Grants			
Obligations	$2,905,601	$3,027,439	$2,758,265
Appropriations	3,000,000 i/	2,915,064 j/	2,752,265
Neighborhood Development Demonstration	2,000	1,943	...
Public Housing Child Care Demonstration k/	5,000	4,859	5,000
CDBG Loan Guarantees (Section 108)			
Federal Credit Limitation (Commitments)	144,000	141,768	...
Commitment Amount	122,970	141,768	...
Urban Development Action Grants			
Announcements	$97,361	...	...
Obligations	77,806	$70,092	...
Number of Grants Executed	49	63	...
Rental Rehabilitation Grants			
Obligations	$171,026	$150,862	$89,905
Rehabilitation Loans (Section 312)			
Loan Obligations	9,557	84,019	...
Urban Homesteading			
Localities with Active Programs	97	120	140
Number of Properties Conveyed	741	1,375	2,780
Reimbursement to FHA and Other Federal Agencies (Obligations)	$13,306	$24,773 l/	$50,003
Appropriations	13,200	24,445 l/	49,953
Assistance for Solar and Conservation Improvements			
Obligations	898	225	...
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology - Obligations	17,702	20,653	48,100
FAIR HOUSING AND EQUAL OPPORTUNITY			
Title VIII Complaints Processed	4,943	7,833	8,090
HUD Program Compliance Reviews			
Title VI/Section 109	72	74	90
EEO Complaints Processed	61	120	120
Section 504/Age Discrimination Complaints	227	235	235

EXHIBIT I (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SUMMARY OF PROGRAM LEVELS
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	Actual 1989	Estimate 1990	Estimate 1991
	(Dollars in Thousands)		
Fair Housing Assistance Program			
Assistance to State and Local Agencies			
Number of Awards	120	120	125
Obligations	$4,554	$5,885	$6,591
Assistance to Community Housing Resource Boards (CHRBSs)			
Number of Awards	...	60	...
Obligations	122	$1,950	...
Total, FHAP Obligations	4,676	7,835	6,591
Fair Housing Initiatives Program			
Number of Awards	...	105	80
Obligations	...	$10,839	$5,592
Total, Fair Housing Activities Obligations	4,676	18,674	12,183
HOMELESS PROGRAMS (Obligations)			
Emergency Shelter Grants (CPD)	46,768	73,698	71,687
Section 202(h) Program for the Homeless (Housing)	...	...	35,835
Section 8 Moderate Rehabilitation (Single Room Occupancy) (Housing)	44,996	73,185	49,571
Transitional and Supportive Housing Demonstration (CPD)	114,726	129,997	143,399
Rental Housing Assistance for the Homeless (CPD)	...	...	160,782
Supplemental Assistance for Facilities to Assist the Homeless (CPD)	150	10,849	...
Total, Homeless Obligations	206,640	287,729	461,274

a/ Represents 6,600 units funded under Rental Housing Assistance program administered under Community Planning and Development.
b/ Includes amounts provided under separate appropriations for renewals and SRO units.
c/ Includes GI and SRI Funds in 1989 and 1990.
d/ Includes conversions and repossessions.
e/ Includes reimbursements from the Urban Homesteading account.
f/ Includes $885 thousand in obligations as a result of proposed legislation.
g/ Estimate.
h/ Includes adjustments.
i/ Includes transfers of unobligated balances of $200 million from the Rehabilitation Loan Fund and $150 million from the Flexible Subsidy program.
j/ Includes availability of $49.2 million transferred from Urban Development Action Grants, based on estimated recaptures of $50 million.
k/ Administered by Public and Indian Housing.
l/ Includes proposed transfer of $11.4 million from Urban Development Action Grants.

EXHIBIT II

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
HOUSING			
Homeownership and Opportunity for People Everywhere Grants (HOPE Grants)...............	NA	NA	$249,660 a/
Subsidized Housing Programs:			
Budget Authority..............................	$7,518,765	$7,887,855	13,286,874
Rescission of Recaptured Authority...........	(427,470)	(311,236)	(236,375)
Transfers.....................................	(88,000)b/	(38,205)c/	139,455 d/
Net Budget Authority........................	7,003,295	7,538,414	13,189,954
Section 8 Contract Renewals....................	NA	1,074,492	[7,734,985]e/
Moderate Rehabilitation (SRO)..................	[45,000]e/	73,185	[49,571]e/
Homeownership Assistance Program:			
Section 235 Refinancing......................	...	(190,993)f/	...
Nehemiah Housing Opportunity Grants............	20,000 g/	24,205 h/	...
Rental Housing Assistance (Section 236):			
Rental Housing Assistance Fund...............	...	...	(70,000)i/
Rescission of Recaptured Authority...........	(50,000)	(48,000)	(46,000)
FHA Funds:			
Mutual Mortgage and Cooperative Management Housing Insurance Funds j/:			
[Federal Credit Limitation]...............	[96,000,000]	[73,837,500]	[62,000,000]
TMAP Limitation............................	[103,350]	[87,227]	[123,500]
General and Special Risk Insurance Funds:			
[Federal Credit Limitation]................	[NA]	[NA]	[13,000,000]
TMAP Limitation............................	[NA]	[NA]	[27,625]
Appropriation..............................	237,720 k/	350,093 k/	317,366
Housing Counseling Assistance..................	3,500	3,446	3,498 a/
Housing for the Elderly or Handicapped (Section 202)................................	394,097	412,969	228,016
[Loan Limitation]............................	[480,106]	[472,664]	[282,543]
Congregate Services............................	5,400	5,829	...
Nonprofit Sponsor Assistance [Loan Limitation]	[960]	[1,069]	[530]
Subtotal, Housing............................	7,614,012	9,243,640	13,872,494
PUBLIC AND INDIAN HOUSING			
Operating Subsidies............................	1,705,508	1,793,032	1,825,731
Public Housing Modernization...................	[1,646,948]g/	[1,973,125]g/	1,847,492 a/
Drug Elimination Grants........................	[8,200]l/	[98,409]l/	149,798 a/
Public Housing Child Care Grants m/............	[5,000]	[4,859]	[5,000]
Subtotal, Public and Indian Housing..........	1,705,508	1,793,032	3,823,021

EXHIBIT II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Mortgage-Backed Securities:			
[Federal Credit Limitation]	[$144,000,000]	[$81,713,500]	[$80,000,000]
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Grants:			
Appropriation	2,650,000	2,865,839	2,752,265 a/
Transfer from UDAG	...	49,225	...
Other Transfers	[350,000]n/	[...]	[...]
Neighborhood Development Demonstration	[2,000]	[1,943]	[...]
Total CDBG Funding Level	[3,000,000]	2,915,064	2,752,265
Section 108 Loan Guarantees:			
[Federal Credit Limitation]	[144,000]	[141,768]	[...]
Urban Development Action Grants:			
Proposed Rescission	...	...	(10,000)
Transfer to CDBG	...	(50,000)	...
Rental Rehabilitation Grants	150,000	127,985	69,905 a/
Rehabilitation Loan Fund (Section 312):			
Transfer to Subsidized Housing	...	...	(87,000)
[Loan Level]	[9,557]	[84,019]	...
Urban Homesteading	13,200	12,995	49,953 a/
Subtotal, CPD	2,813,200	3,006,044	2,775,123
HOMELESS PROGRAMS:			
Emergency Shelter Grants (CPD)	46,500	73,164	71,187 a/
Section 8 Mod Rehab (SRO) (Housing)	[45,000]g/	[73,185]	[49,571]g/
Section 202(h) Program (Housing)	NA	NA	[35,835]o/
Transitional and Supportive Housing Demonstration (CPD)	80,000	126,825	143,399 a/
Rental Housing Assistance for the Homeless (CPD)	NA	NA	160,782 a/
Supplemental Assistance for Facilities to Assist the Homeless (CPD)	...	10,830	...
Subtotal, Homeless	126,500	210,819	375,368
[Subtotal, Homeless (Including Mod Rehab SRO and Section 202(h) Programs)]	[171,500]	[284,004]	[460,774]
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	17,200	20,426	48,000 p/
FAIR HOUSING AND EQUAL OPPORTUNITY			
Fair Housing Assistance Program	5,000	6,571	6,591
Fair Housing Initiatives Program	5,000	5,839	5,592
Subtotal, FHEO q/	10,000	12,410	12,183 a/

EXHIBIT II (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
DEPARTMENTAL MANAGEMENT			
Salaries and Expenses, HUD	$335,081	$331,406	$426,124
Transfer from UDAG	[3,490]	[...]	[...]
Transfer from Subsidized Housing	...	14,000	...
Transfer from FHA Funds	[378,419]	[385,659]	[380,342]
Subtotal, Salaries and Expenses	[716,990]	[731,065]	[806,466]
Office of Inspector General	...	23,795	29,283
Transfer from FHA Funds	[...]	[6,391]	[8,557]
Subtotal, Office of Inspector General	[...]r/	[30,186]	[37,840]
Subtotal, Departmental Management	335,081	369,201	455,407
Total, HUD	12,621,501	14,655,572	21,361,596
INTERAGENCY COUNCIL ON THE HOMELESS a/	[1,100]	[1,083]	[1,214]
RECONCILIATION TO TOTAL HUD BUDGET AUTHORITY			
ADD:			
Permanent Budget Authority			
GI and SRI Funds — Treasury Borrowings and Debentures Issued	1,120,263 k/	3,304,052 k/	2,129,673
Manufactured Home Inspection and Monitoring	6,522	7,320	7,320
Interstate Land Sales Registration	510	600	1,000
Public Housing Loan Fund	558,299	400,150	200,000
Management and Liquidating Functions	24,103	...	...
Subtotal	1,709,697	3,712,122	2,337,993
Gifts and Bequests	...	5	5
Reappropriation			
Rental Housing Development Grants (HoDAG)	15,372	...	...
Proposed Supplemental			
Urban Homesteading Transfer From UDAG	...	11,450	...
UDAG Transfer to Urban Homesteading	...	(11,450)	...
Total, HUD	14,346,570	18,367,699	23,699,594

EXHIBIT II (cont.)

a/ Net of transfer of funds to Research and Technology.

b/ Reflects transfer of $88 million to Public Housing Operating Subsidies.

c/ Reflects transfer of $24.2 million to Nehemiah and $14 million to Salaries and Expenses.

d/ Reflects net transfer of $70 million from Rental Housing Assistance, $87 million from Section 312 Rehabilitation Loans and a transfer of $17.5 million to Research and Technology.

e/ Included above under Subsidized Housing program.

f/ Reflects rescission of recaptured budget authority resulting from refinancing high interest Section 235 loans.

g/ Funded under Subsidized Housing.

h/ Reflects transfer of $24.2 million from Subsidized Housing.

i/ Reflects transfer of $70 million to Subsidized Housing.

j/ Includes General and Special Risk Insurance Funds in 1989 and 1990.

k/ Reported under Mutual Mortgage and Cooperative Management Housing Insurance Funds in the President's Budget.

l/ In 1989, reflects $8.2 million Supplemental appropriation under Public Housing Operating Subsidies. In 1990, reflects $50 million appropriated for Operating Subsidies in the Department of Transportation Bill and a net $48.4 million under Annual Contributions.

m/ Funded within Community Development Block Grants.

n/ Reflects transfers of $200 million from Rehabilitation Loans and $150 million from Flexible Subsidy.

o/ Represents the homeless component of the Handicapped program authorized under Section 202(h) of the Housing Act of 1959. Funded under Subsidized Housing.

p/ Includes transfer of $25 million from other accounts.

q/ Combined appropriations.

r/ Funded within HUD Salaries and Expenses in 1989.

s/ Shown for information only. The Council is a separate organization and not part of HUD.

NOTE: 1990 amounts are net of Section 517 reductions and Sequestration where applicable.

EXHIBIT III

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
HOUSING			
Subsidized Housing a/	$12,234,512	$13,634,679	$15,117,619
Section 8 Contract Renewals	NA	58,802 b/	... c/
Moderate Rehabilitation (SRO) d/	[1,735]	[3,893]	[7,588]
Rental Housing Development Grants (HoDAG)	100,200	100,000	94,463
Nehemiah Housing Opportunity Grants	...	5,440	19,040
Flexible Subsidy Fund	(58,624)	(10,018)	26,149
Rental Housing Assistance Fund	4,529	189	(70,000)
FHA Funds:			
Mutual Mortgage and Cooperative Management Housing Insurance Funds	107,784	151,056	316,460
General and Special Risk Insurance Funds	868,621 e/	2,194,951 e/	1,167,024
Housing Counseling Assistance	3,269	3,500	3,500
Homeownership Assistance Fund (Section 235)	(80)	(117)	(176)
Housing for the Elderly or Handicapped (Section 202)	433,223	391,651	413,756
Congregate Services Program	4,544	5,000	5,000
Nonprofit Sponsor Assistance	(61)	110	100
Manufactured Home Inspection and Monitoring	6,173	7,500	8,385
Interstate Land Sales Registration	520	635	1,008
Community Disposal Operations Fund	(101)	(20)	(15)
Subtotal, Housing	13,704,509	16,543,358	17,102,313
PUBLIC AND INDIAN HOUSING			
Operating Subsidies	1,519,221	1,787,840	1,818,824
Drug Elimination Grants:			
Separate Appropriation	...	...	68,907
Included in Other Accounts	...	[49,040]	[56,585]
Loan Fund:			
Direct Loan and Other Expenses	637,976	400,150	200,000
Federal Financing Bank Payments	93,231	87,338	81,464
Federal Financing Bank Direct Loans	[41,701]	[44,505]	[47,357]
Subtotal, Loan Fund	731,207	487,488	281,464
Subtotal, PIH	2,250,428	2,275,328	2,169,195
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Mortgage-Backed Securities	(30,991)	49,033	(289,644)
Management and Liquidating Functions	(10,729)	(1,853)	(4,505)
Participation Sales Fund	197	...	...
Subtotal, GNMA	(41,523)	47,180	(294,149)

EXHIBIT III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants:			
Grant Program	$2,945,611	$3,050,000	$3,105,000
Section 108 Loan Guarantees:			
FFB Direct Loans	(32,115)	(55,000)	(59,000)
Subtotal, CDBG	2,913,496	2,995,000	3,046,000
Urban Development Action Grants	242,035	225,000	198,000
Rental Rehabilitation Grants	174,784	180,000	170,000
Rehabilitation Loan Fund (Section 312)	(22,990)	5,200	(45,685)
Urban Homesteading	15,094	24,450 f/	49,953
Assistance for Solar and Conservation Improvements	819	400	...
Revolving Fund (Liquidating Programs)	6,145	6,373	8,445
Subtotal, CPD	3,329,383	3,436,423	3,426,713
HOMELESS PROGRAMS			
Emergency Shelter Grants (CPD)	41,829	47,193	66,201
Section 8 Moderate Rehab (SRO) (Housing)	[1,735]	[3,893]	[7,588]
Section 202(h) Program (Housing)	NA	NA	[471]g/
Transitional and Supportive Housing Demonstration (CPD)	22,090	57,909	78,476
Supplemental Assistance for Facilities to Assist the Homeless (CPD)	6,390	11,364	5,415
Subtotal, Homeless	70,309	116,466	150,092
[Subtotal, Homeless (Including Mod Rehab SRO and Section 202(h) Programs)]	[72,044]	[120,359]	[158,151]
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	20,404	18,300	28,000
FAIR HOUSING AND EQUAL OPPORTUNITY			
Fair Housing Assistance Program	6,980	7,290	5,500
Fair Housing Initiatives Program	...	2,710	7,500
Subtotal, FHEO	6,980	10,000	13,000

EXHIBIT III (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1989-1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
DEPARTMENTAL MANAGEMENT			
Salaries and Expenses, HUD	$336,171	$336,758	$400,602
Gifts and Bequests	...	5	5
New Community Assistance Grants	...	23	...
Office of Inspector General	... h/	18,084	27,281
Working Capital Fund	3,645	...	...
Subtotal, Departmental Management	339,816	354,870	427,888
Total, HUD	19,680,305	22,801,925	23,023,052
INTERAGENCY COUNCIL ON THE HOMELESS i/	[718]	[1,900]	[1,376]

a/ Excludes HoDAG which was appropriated in this account but is shown separately.

b/ Represents outlays from separate appropriation in 1990.

c/ The Budget proposes that all obligated balances be merged with the regular Subsidized Housing account and outlays are included under that account.

d/ Appropriated as a separate account in 1990. The Budget proposes providing for this activity under the regular Subsidized Housing program. Outlays shown are from amounts appropriated under the regular program.

e/ Reported under the Mutual Mortgage and Cooperative Management Housing Insurance Funds in the President's Budget.

f/ Includes $11,450 thousand transferred from UDAG.

g/ Represents the homeless component of the Handicapped program authorized under Section 202(h) of the Housing Act of 1959.

h/ Included in HUD Salaries and Expenses in 1989.

i/ Shown for information only. The Council is a separate organization and not part of HUD.

NOTE: Totals may not add due to rounding.

EXHIBIT IV

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY AND OUTLAYS BY FUNCTIONS
FISCAL YEARS 1989-1991

	BUDGET AUTHORITY			OUTLAYS		
	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
			(Dollars in Thousands)			
ENERGY (Code 272)						
Assistance for solar and conservation improvements..................................	...	...	...	$819	$400	...
COMMERCE AND HOUSING CREDIT (Code 371)						
Mortgage credit and thrift insurance:						
Mutual mortgage and Cooperative management housing insurance funds	...	...	...	107,784	151,056	$316,460
General and Special risk insurance funds a/..	$1,357,983	$3,654,145	$2,447,039	868,621	2,194,951	1,167,024
Housing for the elderly or handicapped.......	394,097	412,969	228,016	433,223	391,651	413,756
Government National Mortgage Association: (M&L, MBS, Part. sales fund)...............	24,103	...	...	(41,665)	47,180	(294,149)
Subtotal, Mortgage Credit................	1,776,183	4,067,114	2,675,055	1,367,963	2,784,838	1,603,091
Other subfunctions (Code 376): (Manufactured home inspection and monitoring, Interstate land sales, Homeownership assistance fund and Part. sales fund)......	7,032	7,920	8,320	6,617	8,018	9,217
Subtotal, Commerce and Housing...........	1,783,215	4,075,034	2,683,375	1,374,580	2,792,856	1,612,308
COMMUNITY AND REGIONAL DEVELOPMENT (Code 451)						
Community development:						
Community development grants.................	2,650,000	2,915,064	2,752,265	2,913,496	2,995,000	3,046,000
Urban development action grants..............	...	(61,450)	(10,000)	242,035	225,000	198,000
Rehabilitation loan fund.....................	...	...	(87,000)	(22,990)	5,200	(45,685)
Urban homesteading...........................	13,200	24,445	49,953	15,094	24,450	49,953
Research and technology......................	17,200	20,426	48,000	20,404	18,300	28,000
Rental rehabilitation grants.................	150,000	127,985	69,905	174,783	180,000	170,000
Rental housing development grants............	15,372	...	...	100,200	100,000	94,463
Rental housing assistance for the homeless b/	...	10,830	160,782	6,390	11,364	5,415
Other subfunctions (Working capital fund, Revolving fund (liquidating progs.), S&E, Comm. disp., Part. sales fund, New comm. asst. grants, Inspector General, Gifts and bequests)	171,074	194,638	240,049	181,344	191,025	233,407
Subtotal, Community and Regional Development	3,016,846	3,231,938	3,223,954	3,630,756	3,750,339	3,779,553

EXHIBIT IV (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY AND OUTLAYS BY FUNCTIONS
FISCAL YEARS 1989-1991

	BUDGET AUTHORITY			OUTLAYS		
	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
			(Dollars in Thousands)			
EDUCATION, TRAINING, EMPLOYMENT, SOCIAL SERVICES AND HEALTH (Codes 502, 506 and 552)						
Housing counseling and Part. sales fund.......	$3,500	$3,446	$3,498	$3,312	$3,500	$3,500
INCOME SECURITY (Code 604)						
Public assistance and other income supplement:						
Housing and opportunity for people everywhere	NA	NA	249,660	NA	NA	...
Subsidized housing programs c/...............	6,928,299	7,299,421	13,058,548	12,232,777	13,630,786	15,109,560
Nehemiah housing opportunity fund............	...	24,205	...	...	5,440	19,040
Payments for operation of low-income housing projects...................................	1,705,508	1,793,032	1,825,731	1,519,221	1,787,840	1,818,824
Assistance for the renewal of expiring Section 8 subsidy contracts.................	...	1,074,492	...	...	58,802	...
Low rent public housing loans................	558,299	400,150	200,000	731,207	487,488	281,464
Modernization of low income housing..........	NA	NA	1,847,492	NA	NA	...
Homeless programs (Transitional and supportive housing demo., Emergency shelter grants, Mod. rehab. SRO, Section 202(h) for the homeless) d/................................	171,496	273,174	299,992	65,654	108,995	152,736
Drug elimination grants......................	...	...	149,798	...	...	68,907
Flexible subsidy fund (Trouble projects).....	...	...	...	(58,624)	(10,018)	26,149
Other: (S&E, Congregate services, Nonprofit sponsor assistance, Rental housing assistance fund) e/.................	136,787	140,776	101,529	141,905	137,533	96,733
Subtotal, Income Security.................	9,500,389	11,005,250	17,732,750	14,632,140	16,206,866	17,573,433
VETERANS BENEFITS AND SERVICES (Code 704)						
Participation sales fund......................	...	...	...	70	...	...
ADMINISTRATION OF JUSTICE (Code 751)						
Fair housing programs and S&E e/...............	42,620	52,031	56,017	38,628	47,964	54,258
Total, HUD....................................	14,346,570	18,367,699	23,699,594	19,680,305	22,801,925	23,023,052

EXHIBIT IV (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BUDGET AUTHORITY AND OUTLAYS BY FUNCTIONS
FISCAL YEARS 1989-1991

a/ Budget authority and outlay amounts for 1989 and 1990 were reported under Mutual Mortgage and Cooperative Management Housing Insurance Funds.

b/ New program beginning in 1991. Formerly Supplemental Assistance for Facilities to Assist the Homeless.

c/ Includes $20 million provided for Nehemiah Housing Opportunity Grants in 1989. Excludes Rental Housing Development Grants and Rental Rehabilitation Grants, which are in Code 451 and net of rescissions of recaptured authority in "Annual Contributions for Assisted Housing" and Rental and Homeownership Assistance.

d/ Excludes Rental Housing Assistance for the Homeless which is in Code 451.

e/ Amounts shown for Code 751 are adjusted upward from that reported by OMB. These adjustments are necessary to reflect the full amounts of S&E appropriations budgeted to support FHEO activities. Correspondingly, the amounts shown for Code 604 are adjusted downward.

NOTE: 1990 data are net of Section 517 reductions and sequestration. 1991 data are net of transfers to the Research and Technology account.

EXHIBIT V

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY
LONG-RANGE PROJECTIONS--FISCAL YEARS 1992-1995

	ESTIMATE 1992	ESTIMATE 1993	ESTIMATE 1994	ESTIMATE 1995
		(Dollars in Thousands)		
HOUSING PROGRAMS				
Homeownership and Opportunity for People Everywhere Grants (HOPE Grants)................................	$650,000	$1,000,000	$1,000,000	$1,000,000
Annual Contributions for Assisted Housing:				
New Authority..	5,482,107	5,702,048	5,770,872	6,098,352
Renewal of Section 8 Contracts Included Above......	7,078,821	5,873,358	5,425,853	6,032,416
Subtotal..	12,560,928	11,575,406	11,196,725	12,130,768
Rescission of Recaptures...........................	(233,842)	(213,000)	(176,500)	(156,500)
Net Budget Authority.............................	12,327,086	11,362,406	11,020,225	11,974,268
Rental Housing Assistance (section 236):				
Rescission of Recaptured Authority.................	(44,000)	(42,000)	(40,000)	(38,000)
Rental Housing Assistance Fund:				
Transfer of Budget Authority.......................	(70,000)	(70,000)	(70,000)	(70,000)
Housing Counseling..................................	3,500	3,500	3,500	3,500
Housing for the Elderly or Handicapped (Section 202).	206,384	209,153	194,612	168,449
Loan Limitation..................................	[253,354]	[258,261]	[242,190]	[245,078]
FHA Funds:				
Mutual Mortgage and Cooperative Management Housing Insurance Funds:				
Federal Credit Limitation........................	[56,000,000]	[56,200,000]	[56,500,000]	[56,688,276]
TMAP Limitation..................................	[167,960]	[212,420]	[212,420]	[212,420]
General and Special Risk Insurance Funds...........	1,174,554	1,462,842	1,312,700	1,183,800
Federal Credit Limitation........................	[11,000,000]	[10,800,000]	[10,500,000]	[10,311,774]
TMAP Limitation..................................	[37,570]	[47,515]	[47,515]	[47,515]
Interstate Land Sales Registration..................	1,000	1,000	1,000	1,000
Manufactured Home Inspection and Monitoring..........	7,603	8,700	8,880	9,070
Subtotal, Housing Programs........................	14,256,127	13,935,601	13,430,917	14,232,087
PUBLIC AND INDIAN HOUSING				
Payments for Operation of Low-Income Housing Projects	1,901,165	1,942,483	2,030,213	2,109,332
Low Rent Public Housing Loan Fund...................	100,000	...	...	...
Public Housing Modernization........................	1,901,392	1,992,484	2,060,228	2,124,098
Drug Elimination Grants.............................	144,798	149,798	149,798	149,798
Subtotal, Public and Indian Housing................	4,047,355	4,084,765	4,240,239	4,383,228

EXHIBIT V (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET AUTHORITY
LONG-RANGE PROJECTIONS--FISCAL YEARS 1992-1995

(Dollars in Thousands)

	ESTIMATE 1992	ESTIMATE 1993	ESTIMATE 1994	ESTIMATE 1995
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION				
Mortgage-Backed Securities:				
Federal Credit Limitation	[$79,800,000]	[$82,600,000]	[$85,100,000]	[$87,500,000]
COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants	2,752,265	2,752,265	2,752,265	2,752,265
Rental Rehabilitation Grants	70,000	70,000	70,000	70,000
Urban Homesteading	49,953	49,953	49,953	49,953
Subtotal, CPD	2,872,218	2,872,218	2,872,218	2,872,218
HOMELESS (McKINNEY ACT) PROGRAMS				
Section 8 - Single Room Occupancy	[51,554]	[53,462]	[55,279]	[56,993]
Transitional and Supportive Housing Demonstration	143,592	143,592	143,592	143,592
Emergency Shelter Grants	71,285	71,285	71,285	71,285
Rental Housing Assistance for the Homeless	167,213	173,400	179,296	184,854
Subtotal, McKinney Act Homeless Programs	382,090	388,277	394,173	399,731
POLICY DEVELOPMENT AND RESEARCH				
Research and Technology	47,000	47,000	47,682	48,317
FAIR HOUSING AND EQUAL OPPORTUNITY				
Fair Housing Activities	12,200	12,200	12,200	12,200
DEPARTMENTAL MANAGEMENT				
Salaries and Expenses, HUD	443,322	460,603	477,139	492,802
Gifts and Bequests	5	5	5	5
Office of Inspector General	30,467	31,652	32,785	33,860
Subtotal, Departmental Management	473,794	492,260	509,929	526,667
Total, HUD	22,090,784	21,832,321	21,507,358	22,474,448

EXHIBIT VI

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS
LONG-RANGE PROJECTIONS--FISCAL YEARS 1992-1995

	ESTIMATE 1992	ESTIMATE 1993	ESTIMATE 1994	ESTIMATE 1995
	(Dollars in Thousands)			
HOUSING PROGRAMS				
Homeownership and Opportunity for People Everywhere Grants (HOPE Grants)...............	$62,500	$287,500	$637,500	$912,500
Housing Payments..............................	15,985,438	15,938,540	15,768,715	15,873,890
Flexible Subsidy Fund..........................	37,343	34,635	(4,500)	(5,000)
FHA Funds:				
Mutual Mortgage and Cooperaive Management Housing Insurance Funds....................	443,611	631,970	908,492	1,106,590
General and Special Risk Insurance Funds......	775,238	767,514	845,739	840,215
Housing for Elderly or Handicapped............	560,230	459,164	466,088	207,796
Congregate Services...........................	4,035	...	...	...
Nehemiah Housing Opportunity Grants...........	19,724	...	...	...
Nonprofit Sponsor Assistance..................	(260)	(570)	(410)	...
Housing Counseling Assistance.................	3,500	3,500	3,500	3,500
Rental Housing Assistance Fund................	(70,000)	(70,000)	(70,000)	(70,000)
Howeownership Assistance......................	(495)	(759)	(1,171)	(1,693)
Community Disposal Operations Fund............	(7)	...	...	...
Interstate Land Sales Registration............	1,000	1,000	1,000	1,000
Manufactured Home Inspection and Monitoring...	8,385	8,385	8,385	8,385
Subtotal, Housing Programs...................	17,830,242	18,060,879	18,563,338	18,877,183
PUBLIC AND INDIAN HOUSING				
Public Housing Operating Subsidies............	1,860,244	1,919,417	1,982,426	2,065,730
Low-Rent Public Housing Loan Fund.............	175,622	70,608	64,685	57,671
Public Housing Modernization..................	221,699	733,085	1,168,165	1,507,488
Drug Elimination Grants.......................	148,300	149,798	149,798	149,798
Subtotal, Public and Indian Housing.........	2,405,865	2,872,908	3,365,074	3,780,687
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION				
Management and Liquidating Functions..........	(4,476)	(4,459)	(4,437)	(4,402)
Guarantees of Mortgage-Backed Securities......	(417,488)	(480,412)	(521,824)	(550,212)
Subtotal, GNMA..............................	(421,964)	(484,871)	(526,261)	(554,614)

EXHIBIT VI (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS
LONG-RANGE PROJECTIONS--FISCAL YEARS 1992-1995

	ESTIMATE 1992	ESTIMATE 1993	ESTIMATE 1994	ESTIMATE 1995
		(Dollars in Thousands)		
COMMUNITY PLANNING AND DEVELOPMENT				
Community Planning and Development............	$2,973,000	$2,828,000	$2,713,000	$2,744,000
Urban Development Action Grants...............	200,000	88,488	...	...
Rental Rehabilitation Grants..................	153,565 a/	86,000	70,000	$70,000
Urban Homesteading............................	49,953	49,953	49,953	49,953
Rehabilitation Loan Fund......................	(35,000)	(73,000)	(74,000)	(75,000)
Revolving Fund (Liquidating Programs).........	471	46	46	46
(Subtotal, CPD)............................	3,341,989	2,979,487	2,758,999	2,788,999
HOMELESS PROGRAMS (McKINNEY Act)				
Section 8 - Single Room Occupancy a/..........	[17,940]	[23,188]	[28,486]	[31,312]
Transitional and Supportive Housing...........	105,945	126,711	129,093	140,539
Emergency Shelter Grants......................	71,696	71,261	71,285	71,285
Rental Housing Assistance for the Homeless	27,333	60,583	95,077	130,759
Subtotal, McKinney Act Homeless Programs...	204,974	258,555	295,455	342,583
POLICY DEVELOPMENT AND RESEARCH				
Research and Technology.......................	38,600	44,400	47,300	47,800
FAIR HOUSING AND EQUAL OPPORTUNITY				
Fair Housing Activities.......................	12,776	11,900	12,200	12,200
DEPARTMENTAL MANAGEMENT				
Salaries and Expenses, HUD....................	431,115	449,054	465,770	481,666
Gifts and Bequests............................	5	5	5	5
Office of Inspector General...................	29,614	30,848	31,997	33,091
Subtotal, Departmental Management...........	460,734	479,907	497,772	514,762
Total HUD..................................	23,873,216	24,223,165	25,013,877	25,809,600

a/ Includes funds appropriated under the Annual Contributions for Assisted Housing account.

EXHIBIT VII

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CURRENT SERVICES BUDGET
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1990-1995

	1990 Estimate	1991 Estimate	1992 Estimate	1993 Estimate	1994 Estimate	1995 Estimate
			(Dollars in Thousands)			
HOUSING						
Annual Contributions for Assisted Housing						
New Authority	$7,849,650 a/	$8,179,336	$8,506,507	$8,821,249	$9,121,171	$9,403,929
Rescission of Recaptures b/	(311,236)	(324,308)	(337,280)	(349,760)	(361,651)	(372,863)
Net Budget Authority	7,538,414	7,855,028	8,169,227	8,471,489	8,759,520	9,031,066
Assistance for the Renewal of Expiring Section 8 Subsidy Contracts c/	1,074,492	1,122,844	1,167,758	1,210,965	1,252,138	1,290,954
Homeownership Assist.(Sect. 235 Refinance) b/	(190,993)	(199,015)	(206,975)	(214,633)	(221,931)	(228,811)
Nehemiah Grants	24,205	25,220	26,229	27,200	28,125	28,997
Section 8 Mod. Rehab. (SRO)	73,185	76,259	79,309	82,243	85,040	87,676
Rental Housing Assistance (Section 236):						
Rescission of Recaptured Authority b/	(48,000)	(50,016)	(52,017)	(53,941)	(55,775)	(57,504)
Mortgage Insurance Programs:						
Mutual and Cooperative Insurance Funds:						
Appropriation (Current)	350,093	...	...	...	...	...
Authority to Borrow (Permanent)	3,304,052	...	...	...	...	...
Subtotal, Mutual Mortgage and Cooperative Insurance Funds	3,654,145	...	...	...	...	...
General and Special Risk Insurance Fund:						
Appropriation (Current)	...	317,366	628,300	596,842	702,400	591,000
Authority to Borrow (Permanent)	...	2,311,137	864,754	1,151,600	912,100	740,300
Subtotal, General and Special Risk Insurance Fund	...	2,628,503	1,493,054	1,748,442	1,614,500	1,331,300
Housing Counseling Assistance	3,446	3,591	3,734	3,873	4,004	4,128
Housing for the Elderly or Handicapped:						
Borrowing Authority	412,969	418,875	395,342	395,191	402,202	375,935
Loan Limitation	[472,664]	[492,516]	[512,217]	[531,169]	[549,228]	[566,254]
Congregate Services	5,829	6,074	6,317	6,550	6,773	6,983
Nonprofit Sponsor Assistance (Loan Limitation)	[1,069]	[1,114]	[1,158]	[1,201]	[1,242]	[1,281]
Manufactured Home Inspection and Monitoring	7,320	7,320	7,320	7,320	7,320	7,320
Interstate Land Sales Registration	600	600	600	600	600	600
Subtotal, Housing	12,555,612	11,895,283	11,089,898	11,685,299	11,882,516	11,878,644
PUBLIC AND INDIAN HOUSING						
Public Housing Operating Subsidies	1,793,032	1,868,339	1,943,073	2,014,967	2,083,475	2,148,063
Low-Rent Public Housing Loan Fund	400,150	200,000	100,000	...	...	...
Subtotal, Public and Indian Housing	2,193,182	2,068,339	2,043,073	2,014,967	2,083,475	2,148,063

EXHIBIT VII (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CURRENT SERVICES BUDGET
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1990-1995

(Dollars in Thousands)

	1990 Estimate	1991 Estimate	1992 Estimate	1993 Estimate	1994 Estimate	1995 Estimate
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION						
Mortgage-Backed Securities	[$81,713,300]	[$85,063,735]	[$88,466,303]	[$91,739,556]	[$94,858,701]	[$97,799,321]
COMMUNITY PLANNING AND DEVELOPMENT						
Community Development Block Grants	2,915,064	3,037,497	3,158,997	3,275,880	3,387,260	3,492,265
Section 108 Guarantee Commitment Limitation	[141,768]	[147,722]	[153,631]	[159,315]	[164,732]	[169,839]
Urban Homesteading	12,995	13,541	14,083	14,604	15,101	15,569
Rental Rehabilitation Grants	127,985	133,360	138,694	143,826	148,716	153,326
Urban Development Action Grants	(50,000)	...	...	...	...	...
Subtotal, CPD	3,006,044	3,184,398	3,311,774	3,434,310	3,551,077	3,661,160
HOMELESS PROGRAMS						
Supplemental Assistance for Facilities to Assist the Homeless	10,830	11,285	11,736	12,170	12,584	12,974
Transitional and Supportive Housing Demonstration	126,825	132,152	137,438	142,523	147,369	151,937
Emergency Shelter Grants	73,164	76,237	79,286	82,220	85,015	87,651
Section 8 Mod. Rehab. (SRO) d/	[73,185]	[76,259]	[79,309]	[82,243]	[85,040]	[87,676]
Subtotal, Homeless	[284,004]	[295,933]	[307,769]	[319,156]	[331,008]	[340,238]
POLICY DEVELOPMENT AND RESEARCH						
Research and Technology	20,426	21,284	22,135	22,954	23,734	24,470
FAIR HOUSING AND EQUAL OPPORTUNITY						
Fair Housing Assistance Program	6,571	6,851	7,125	7,390	7,640	7,877
Fair Housing Initiatives Program	5,839	6,080	6,323	6,556	6,780	6,990
Subtotal, FHEO	12,410	12,931	13,448	13,946	14,420	14,867

EXHIBIT VII (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CURRENT SERVICES BUDGET
BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1990-1995

	1990 Estimate	1991 Estimate	1992 Estimate	1993 Estimate	1994 Estimate	1995 Estimate
			(Dollars in Thousands)			
DEPARTMENTAL MANAGEMENT						
Salaries and Expenses, HUD	$345,406	$361,236	$377,900	$393,501	$408,569	$422,991
Office of Inspector General	23,795	24,912	26,002	27,061	28,082	29,058
Gifts and Bequests	5	5	5	5	5	5
Subtotal, Departmental Management	369,206	386,153	403,907	420,567	436,656	452,054
Total, HUD	18,367,699	17,788,062	17,112,695	17,828,956	18,236,846	18,431,820

Footnotes

a/ Net of Section 517 reduction and sequester.

b/ The guidance for preparation of Current Services data for the 1991 Budget required the net budget authority for Annual Contributions for Assisted Housing to be inflated using official inflation factors. By inflating the net figure, the calculation assumes that each discrete item used in determining the net number not only remains in the Budget in the outyears, but is also inflated. In the case of Annual Contributions, this would mean that the Section 235 rescission that actually occures in 1990 only, remains in the current services through 1995 and is inflated each year. Also, the Section 236 recission and the normal recission of Annual Contributions recaptures, both of which must actually decline in the outyears, are shown as increasing.

c/ The budget authority for the renewal of Section 8 expiring contracts was also inflated off the 1990 base number. HUD has no control over the number of contracts that expire in each year. Consequently, on the assumption that the renewal policy is continued, the calculation as shown has no relevance to the numbers required. On that basis, the current services requirement for renewals would be closer to $8 billion in 1991 than the $1.1 billion shown.

d/ Included under Housing programs. Shown here for comparison purposes.

EXHIBIT VIII

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CURRENT SERVICES BUDGET
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1990-1995

(Dollars in Thousands)

	1990 Estimate	1991 Estimate	1992 Estimate	1993 Estimate	1994 Estimate	1995 Estimate
HOUSING						
Subsidized Housing	$13,634,679	$14,394,977	$14,431,158	$14,214,795	$13,905,112	$13,731,846
Nehemiah Housing Opportunity Grants	5,440	22,142	33,820	25,889	26,880	27,820
Section 8 Subsidy Contracts	58,802	276,430	503,460	739,378	983,827	1,178,574
Section 8 Mod. Rehab. (SRO)	...	3,582	10,991	18,650	26,458	34,380
Homeownership Assistance Fund	(117)	(176)	(495)	(759)	(1,171)	(1,693)
Rental Housing Development Grants (HoDAG)	100,000	94,526	...	...	...	...
Housing Counseling Assistance	3,500	3,500	3,710	3,820	3,920	4,020
Housing for the Elderly or Handicapped	391,651	413,756	604,916	548,223	646,314	396,858
Flexible Subsidy Fund	(10,018)	26,149	33,157	49,321	...	...
Mortgage Insurance Programs:						
Mutual Mortgage and Cooperative Housing Insurance Funds	2,346,007	463,575	771,066	799,407	1,038,774	1,309,376
General and Special Risk Ins. Funds	...	1,348,488	1,093,772	1,053,113	1,147,571	987,681
Subtotal, Mortgage Insurance	2,346,007	1,812,063	1,864,838	1,852,520	2,186,345	2,297,057
Congregate Services	5,000	5,000	6,049	6,291	6,525	6,749
Nonprofit Sponsor Assistance	110	100	120	100	80	55
Community Disposal Operations Fund	(20)	(15)	(7)	...	...	...
Rental Housing Assistance Fund	189	...	...	...	...	...
Manufactured Home Inspection and Monitoring	7,500	7,500	7,500	7,500	7,500	7,500
Interstate Land Sales Registration	635	600	600	600	600	600
Subtotal, Housing	16,543,358	17,060,134	17,499,817	17,466,328	17,792,390	17,683,766
PUBLIC AND INDIAN HOUSING						
Public Housing Operating Subsidies	1,787,840	1,838,424	1,902,104	1,975,397	2,045,762	2,112,501
Low-Rent Public Housing Loan Fund	487,488	281,464	175,622	70,608	64,685	57,671
Subtotal, Public and Indian Housing	2,275,328	2,119,888	2,077,726	2,046,005	2,110,447	2,170,172
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION						
Guarantees of Mortgage-Backed Securities	49,033	(279,345)	(385,180)	(424,781)	(440,816)	(444,683)
Management and Liquidating Functions Fund	(1,853)	(4,505)	(4,476)	(4,459)	(4,437)	(4,402)
Subtotal, GNMA	47,180	(283,850)	(389,656)	(429,240)	(445,253)	(449,085)

EXHIBIT VIII (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CURRENT SERVICES BUDGET
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 1990-1995

(Dollars in Thousands)

	1990 Estimate	1991 Estimate	1992 Estimate	1993 Estimate	1994 Estimate	1995 Estimate
COMMUNITY PLANNING AND DEVELOPMENT						
Community Development Block Grants	$2,995,000	$3,057,409	$3,106,214	$3,132,649	$3,159,773	$3,305,571
Urban Development Action Grants a/	225,000	200,000	200,000	107,938	...	...
Urban Homesteading	13,000	13,657	14,083	14,604	15,101	15,569
Assistance for Solar and Conservation Improvements	400	...	...	...	...	...
Rental Rehabilitation Grants	180,000	170,000	166,256	155,219	136,781	141,951
Rehabilitation Loan Fund	5,200	10,000	6,000	4,000	2,000	1,000
Revolving Fund (Liquidating Programs)	6,373	8,445	471	46	46	46
Subtotal, CPD	3,424,973	3,459,511	3,493,024	3,414,456	3,313,701	3,464,137
HOMELESS PROGRAMS						
Transitional and Supportive Housing Demonstration	57,909	78,476	102,796	122,963	125,661	138,272
Emergency Shelter Grants	47,193	66,959	75,926	78,964	81,906	84,712
Supplemental Assistance for Facilities to Assist the Homeless	11,364	11,057	11,510	11,953	12,377	12,779
Section 8 Mod. Rehab. (SRO) b/	...	[3,582]	[10,991]	[18,650]	[26,458]	[34,380]
Subtotal, Homeless	[116,466]	[116,466]	[116,466]	[116,466]	[116,466]	[116,466]
POLICY DEVELOPMENT AND RESEARCH						
Research and Technology	18,300	19,985	20,454	21,897	22,853	23,772
FAIR HOUSING AND EQUAL OPPORTUNITY:						
Fair Housing Assistance Program	7,290	5,563	7,218	6,040	7,050	8,080
Fair Housing Initiatives Program	2,710	7,550	5,820	5,800	5,790	5,770
Subtotal, FHEO	10,000	13,113	13,038	11,840	12,840	13,850
DEPARTMENTAL MANAGEMENT						
Salaries and Expenses, HUD	336,758	351,376	368,710	384,384	399,560	414,131
New Community Assistance Fund	23	...	...	...	...	...
Gifts and Bequests	5	5	5	5	5	5
Office of Inspector General	18,084	23,959	25,297	26,366	27,398	28,388
Subtotal, Departmental Management	354,870	375,340	394,012	410,755	426,963	442,524
Total, HUD	22,790,475	22,920,613	23,298,647	23,155,921	23,453,885	23,584,899

a/ Does not agree with Budget. Budget reflects erroneous amounts for UDAG in 1993, 1994 and 1995.
b/ Included with Housing programs. Shown here for comparison purposes.

EXHIBIT IX

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
MORTGAGE ASSIGNMENTS, PROPERTY ACQUISITIONS, SALES AND INVENTORY

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
FHA MORTGAGE ACTIVITIES			
Mortgage transactions (units)			
Assigned mortgages:			
Single Family	11,813	12,800	3,500
Multifamily	26,789	115,040	28,515
Total	38,602	127,840	32,015
Converted, sold and liquidated:			
Single Family	14,603	4,300	4,450
Multifamily	3,287	13,600	13,603
Total	17,890	17,900	18,053
Assigned mortgages on hand, end of year:			
Single Family	52,247	60,747	59,797
Multifamily	192,750	294,190	309,102
Total	244,997	354,937	368,899
FHA PROPERTY ACTIVITIES			
Property transactions (units)			
Acquisitions: a/			
Single Family	90,771	92,886	99,866
Multifamily	1,690	1,440	1,440
Total	92,461	94,326	101,306
Sales:			
Single Family	85,318	92,938	93,110
Multifamily	4,622	2,377	5,857
Total	89,940	95,315	98,967
Acquired properties on hand, end of year:			
Single Family	58,885	58,833	65,589
Multifamily	9,290	8,353	3,936
Total	68,175	67,186	69,525
TOTAL OF FHA MORTGAGE AND PROPERTY INVENTORIES, END OF YEAR			
Single Family	111,132	119,580	125,386
Multifamily	202,040	302,543	313,038
Total	313,172	422,123	438,424

EXHIBIT IX (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
MORTGAGE ASSIGNMENTS, PROPERTY ACQUISITIONS, SALES AND INVENTORY

GNMA PROPERTY ACTIVITIES

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Property transactions (units)			
Acquisitions: c/			
Single Family	624 b/	2,034	2,645
Mobile Homes	6,816	6,874	5,777
Total	7,440	8,908	8,422
Sales: c/			
Single Family	213 b/	1,016	2,074
Mobile Homes	8,457	7,238	6,818
Total	8,670	8,254	8,892
Acquired properties on hand, end of year:			
Single Family	506 b/	1,524	2,095
Mobile Homes	2,570	2,206	1,165
Total	3,076	3,730	3,260

a/ Includes repossessions and conversions.
b/ Estimate.
c/ Includes adjustments.

TABLE X

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SUMMARY OF FULL-TIME PERMANENT EMPLOYMENT AT END OF YEAR
FISCAL YEARS 1989 - 1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE (+) DECREASE (-) 1991 vs 1990
Housing Programs: a/				
Washington	558	1,107 b/	1,107 b/	...
Field	5,338	5,366	5,566	+200
Total	5,896	6,473	6,673	+200
Public and Indian Housing:				
Washington	129	142	142	...
Field	1,164	1,150	1,160	+10
Total	1,293	1,292	1,302	+10
Government National Mortgage Association:				
Washington	49	60	60	...
Community Planning and Development:				
Washington	261	261	255	-6
Field	816	807	875	+68
Total	1,077	1,068	1,130	+62
Policy Development and Research:				
Washington	127	134	140	+6
Fair Housing and Equal Opportunity:				
Washington	127	150	162	+12
Field	496	555	570	+15
Total	623	705	732	+27
Departmental Management:				
Washington	105	140	141	+1
Office of General Counsel:				
Washington	215	235	264	+29
Field Legal Services:				
Field	253	280	290	+10
Administration:				
Washington:				
Administration and Staff Services (S&E)	1,075	558 b/	707 b/	+149
Working Capital Fund (WCF)	275	276	276	...
Total	1,350	834	983	+149
Field Direction and Operational Support				
Field	522	450	495	+45
Field Administration:				
Field	824	860	880	+20

TABLE X (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SUMMARY OF FULL-TIME PERMANENT EMPLOYMENT AT END OF YEAR
FISCAL YEARS 1989 - 1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	DECREASE (-) 1991 vs 1990
Office of Inspector General:				
Washington	104	104	118	+14
Field	387	388	427	+39
Total	491	492	545	+53
Total Full-Time Permanent Employment	12,825	13,023	13,635	+612
Other Employment Under Ceiling	673	300	300	...
Total Employment Under Ceiling	13,498	13,323	13,935	+612
Other Employment, Nonceiling	63	60	60	...
Total Employment	13,561	13,383	13,995	+612
Recapitulation:				
Washington	3,025	3,167	3,372	+205
Field:				
Regions	9,413	9,468	9,836	+368
Other	387	388	427	+39
Subtotal, Field	9,800	9,856	10,263	+407
Total Full-Time Permanent Employment	12,825	13,023	13,635	+612

a/ Full-time permanent positions for Housing reflect the shift of Program Compliance staff from the Field to Headquarters in 1991. All years are shown on a comparable basis.

b/ These figures reflect the transfer of 448 FTPs from the Office of Administration to Housing in connection with the functional transfer of mortgage insurance and accounting activities.

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

TABLE XI

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STAFF-YEAR SUMMARY
FISCAL YEARS 1989 - 1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE (+) DECREASE (-) 1991 VS 1990
Housing Programs: a/				
Washington	600.7	983.4 b/	1,117.0 b/	+133.6
Field	5,574.2	5,592.3	5,918.2	+325.9
Total	6,174.9	6,575.7	7,035.2	+459.5
Public and Indian Housing:				
Washington	131.7	149.7	148.2	-1.5
Field	1,209.0	1,200.1	1,219.0	+18.9
Total	1,340.7	1,349.8	1,367.2	+17.4
Government National Mortgage Association:				
Washington	52.4	59.9	61.1	+1.2
Community Planning and Development:				
Washington	285.2	280.0	270.8	-9.2
Field	850.1	826.0	861.2	+35.2
Total	1,135.3	1,106.0	1,132.0	+26.0
Policy Development and Research:				
Washington	134.9	137.4	147.1	+9.7
Fair Housing and Equal Opportunity:				
Washington	145.3	156.9	169.6	+12.7
Field	491.4	538.6	592.2	+53.6
Total	636.7	695.5	761.8	+66.3
Departmental Management:				
Washington	127.1	131.1	148.7	+17.6
Office of General Counsel:				
Washington	221.2	237.9	271.0	+33.1
Field Legal Services:				
Field	268.9	277.4	299.3	+21.9
Administration:				
Washington:				
Administration and Staff Services (S&E)	1,158.7	764.9 b/	707.1 b/	-57.8
Working Capital Fund (WCF)	292.7	283.8	283.8	...
Total	1,451.4	1,048.7	990.9	-57.8
Field Direction and Operational Support:				
Field	530.6	494.1	533.5	+39.4
Field Administration:				
Field	900.2	884.1	919.6	+35.5
Office of Inspector General:				
Washington	106.3	104.8	119.3	+14.5
Field	388.8	390.4	431.1	+40.7
Total	495.1	495.2	550.4	+55.2
Total Staff-Years	13,469.4	13,492.8	14,217.8	+725.0

TABLE XI (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
STAFF-YEAR SUMMARY
FISCAL YEARS 1989 - 1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE (+) DECREASE (-) 1991 VS 1990
Recapitulation:				
Washington	3,256.2	3,289.8	3,443.7	+153.9
Field:				
Regions	9,824.4	9,812.6	10,343.0	+530.4
Other	388.8	390.4	431.1	+40.7
Subtotal, Field	10,213.2	10,203.0	10,774.1	+571.1
Total Staff-Years	13,469.4	13,492.8	14,217.8	+725.0

Reconciliation of Full-Time Equivalent Staff and Staff-Years

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE (+) DECREASE (-) 1991 VS 1990
Full-Time Equivalent for Permanent Appointments	12,553.0	12,978.0	13,408.8	+430.8
Full-Time Equivalent for Full-Time Temporary, Part-Time Temporary, Part-time Permanent and Intermittent Employees	667.6	274.8	569.0	+294.2
Subtotal, Full-Time Equivalent Work-Years	13,220.6	13,252.8	13,977.8	+725.0
Nonceiling Programs (Stay-in-School, Worker Trainees, Summer/Student Aides, Federal Junior Fellows)	42.8	30.0	30.0	...
Overtime	146.9	120.0	120.0	...
Terminal Leave	59.1	90.0	90.0	...
Total Staff-Years	13,469.4	13,492.8	14,217.8	+725.0

a/ Housing staff-years reflect the shift of Program Compliance staff from the Field to Headquarters in 1991. All years are shown on a comparable basis.

b/ These figures reflect the transfer of 354.8 staff-years in 1990 and 459.4 staff-years in 1991 from the Office of Administration to Housing in connection with the functional transfer of mortgage insurance and accounting activities.

TABLE XII

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FULL-TIME EQUIVALENT STAFF SUMMARY
FISCAL YEARS 1989 - 1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE (+) DECREASE (-) 1991 vs 1990
Housing Programs: a/				
Washington	597.5	976.8 b/	1,110.4 b/	+133.6
Field	5,455.5	5,469.7	5,795.6	+325.9
Total	6,053.0	6,446.5	6,906.0	+459.5
Public and Indian Housing:				
Washington	130.2	147.6	146.1	-1.5
Field	1,188.3	1,189.3	1,208.2	+18.9
Total	1,318.5	1,336.9	1,354.3	+17.4
Government National Mortgage Association:				
Washington	51.0	58.8	60.0	+1.2
Community Planning and Development:				
Washington	283.3	274.9	265.7	-9.2
Field	844.3	813.1	848.3	+35.2
Total	1,127.6	1,088.0	1,114.0	+26.0
Policy Development and Research:				
Washington	133.4	134.2	143.9	+9.7
Fair Housing and Equal Opportunity:				
Washington	144.0	155.2	167.9	+12.7
Field	481.1	536.1	589.7	+53.6
Total	625.1	691.3	757.6	+66.3
Departmental Management:				
Washington	122.3	129.6	147.2	+17.6
Office of General Counsel:				
Washington	218.4	236.4	269.5	+33.1
Field Legal Services:				
Field	266.4	276.1	298.0	+21.9
Administration:				
Washington:				
Administration and Staff Services (S&E)	1,123.1	733.6 b/	675.8 b/	-57.8
Working Capital Fund (WCF)	288.9	279.8	279.8	...
Total	1,412.0	1,013.4	955.6	-57.8
Field Direction and Operational Support:				
Field	521.4	486.1	525.5	+39.4

TABLE XII (cont.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FULL-TIME EQUIVALENT STAFF SUMMARY
FISCAL YEARS 1989 - 1991

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE (+) DECREASE (-) 1991 vs 1990
Field Administration:				
Field	878.4	862.5	898.0	35.5
Office of Inspector General:				
Washington	105.6	104.3	118.8	14.5
Field	387.5	388.7	429.4	40.7
Total	493.1	493.0	548.2	+55.2
Total Full-Time Equivalent Staff	13,220.6	13,252.8	13,977.8	+725.0
Recapitulation:				
Washington	3,197.7	3,231.2	3,385.1	+153.9
Field:				
Regions	9,635.4	9,632.9	10,163.3	530.4
Other	387.5	388.7	429.4	40.7
Subtotal, Field	10,022.9	10,021.6	10,592.7	+571.1
Total Full-Time Equivalent Staff	13,220.6	13,252.8	13,977.8	+725.0

a/ Housing FTE reflect the shift of Program Compliance staff from the Field to Headquarters in 1991. All years are shown on a comparable basis.

b/ These figures reflect the transfer of 354.8 FTE in 1990 and 459.4 FTE in 1991 from the Office of Administration to Housing in connection with the functional transfer of mortgage insurance and accounting activities.

TABLE XIII

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMPARATIVE SUMMARY OF UNEXPENDED BALANCES
(Includes Proposed Supplementals)

September 30,1989 to September 30, 1991

(Dollars in Millions)

	UNEXPENDED BALANCES 9/30/89				UNEXPENDED BALANCES 9/30/90				UNEXPENDED BALANCES 9/30/91			
	UNOBLIGATED				UNOBLIGATED				UNOBLIGATED			
	RESERVED	NOT RESERVED	OBLIGATED BALANCES	TOTAL	RESERVED	NOT RESERVED	OBLIGATED BALANCES	TOTAL	RESERVED	NOT RESERVED	OBLIGATED BALANCES	TOTAL
LOAN PROGRAMS												
Housing for Elderly or Handicapped	$1,785.5	...	$455.3	$2,240.8	$1,655.6	...	$606.6	$2,262.2	$1,379.4	...	$697.1	$2,076.5
Rehabilitation Loan Fund	...	26.3	30.2	56.5	14.9	...	35.0	49.9	...	...	0.6	0.6
Low-Rent Public Housing Loans	...	35.6	2,030.8	2,066.4	...	35.6	1,899.0	1,934.6	...	35.6	1,778.2	1,813.8
Nehemiah Housing Opportunity	...	...	...	...	...	...	38.8	38.8	...	...	19.7	19.7
Total, All Loan Programs	1,785.5	61.9	2,516.3	4,363.7	1,670.5	35.6	2,579.4	4,285.5	1,379.4	35.6	2,495.6	3,910.6
HOUSING SUBSIDY PROGRAMS												
Subsidized Housing:												
Annual Contributions for Assisted Housing	27,515.7	881.1	153,306.2	181,703.0	23,546.7	...	142,843.7	166,390.4	20,020.6	...	136,326.2	156,346.8
Renewal of Expiring Section 8 Contracts a/	...	...	...	...	...	...	1,015.7	1,015.7	...	...	...	...
Rent Supplement Program	...	836.2	1,296.0	2,132.2	...	756.5	1,292.6	2,049.1	...	680.2	1,286.1	1,966.3
Homeownership & Rental Housing Assistance	...	1,468.3	27,428.2	28,896.5	...	1,328.6	26,534.1	27,862.7	...	1,190.6	25,847.3	27,037.9
College Housing Interest Subsidy	...	...	531.5	531.5	...	...	510.5	510.5	...	...	489.5	489.5
Total, Subsidized Housing	27,515.7	3,185.6	182,561.9	213,263.2	23,546.7	2,085.1	172,196.6	197,828.4	20,020.6	1,870.8	163,949.1	185,840.5
Payments for Operation of Housing Projects	...	22.2	968.9	991.1	...	...	996.3	996.3	...	...	1,083.2	1,083.2
Public Housing Modernization	...	...	...	...	...	...	...	...	1,010.5	...	37.0	1,047.5
Troubled Projects (Flexible Subsidy)	...	81.3	17.3	98.6	...	92.1	16.5	108.6	...	42.8	36.7	79.5
Congregate Services	...	0.6	7.6	8.2	...	...	9.0	9.0	...	...	4.0	4.0
Combined Total, Housing Subsidy Programs	...	104.1	993.8	1,097.9	...	92.1	1,021.8	1,113.9	1,010.5	42.8	1,160.9	2,214.2
GRANT PROGRAMS												
HOPE	...	...	...	...	...	...	...	...	...	...	249.7	249.7
Community Development Grants	167.9	38.5	5,517.0	5,723.4	100.0	...	5,464.9	5,564.9	100.0	...	5,093.7	5,193.7
Urban Development Grants	70.1	11.4	701.4	782.9	...	...	496.4	496.4	...	...	288.5	288.5
Rental Development Grant Program	...	...	194.5	194.5	...	...	94.4	94.4	...	...	...	...
Rental Rehabilitation Grant Program	0.6	1.6	432.8	435.0	...	...	383.7	383.7	...	...	283.6	283.6
Drug Elimination Grants	...	...	...	...	...	...	...	...	...	...	80.9	80.9
Total, Grant Programs	238.6	51.5	6,845.7	7,135.8	100.0	0.0	6,439.4	6,539.4	100.0	...	5,996.4	6,096.4
CREDIT PROGRAMS												
Federal Housing Administration Fund	...	5,312.1	901.2	6,213.3	...	5,680.0	901.2	6,581.2	...	5,378.9	950.8	6,329.7
Guarantees of Mortgage-Backed Securities	...	1,679.0	(10.0)	1,669.0	...	1,639.0	(19.0)	1,620.0	...	1,943.5	(33.9)	1,909.6
Total, Trust Funds and Reserves for Losses	...	6,991.1	891.2	7,882.3	...	7,319.0	882.2	8,201.2	...	7,322.4	916.9	8,239.3
OTHER HUD PROGRAMS												
Revolving Fund (Liquidating Programs)	...	95.6	16.5	112.1	...	80.4	10.4	90.8	...	65.2	2.1	67.3
Management and Liquidating Functions	...	70.7	(1.7)	69.0	...	66.7	(1.2)	65.5	...	66.7	(1.1)	65.6
Urban Homesteading	...	...	0.4	0.4	...	...	0.4	0.4	...	...	0.4	0.4
Housing Counseling	...	...	4.6	4.6	...	...	4.5	4.5	...	...	4.5	4.5
Solar Energy and Conservation Improvements	...	0.1	0.8	0.9	...	...	0.4	0.4	...	...	...	...
Homeless Programs b/	...	3.2	246.7	249.9	...	...	417.4	417.4	...	...	569.5	569.5
Total, Other HUD Programs	...	169.6	267.3	436.9	...	147.1	431.9	579.0	...	131.9	575.4	707.3
MISCELLANEOUS PROGRAMS	...	35.8	110.7	146.5	...	29.7	140.7	170.4	...	36.3	185.5	221.8
GRAND TOTAL, HUD	29,539.8	10,599.6	194,186.9	234,326.3	25,317.2	9,719.4	183,681.2	218,717.8	22,510.5	9,439.8	175,279.8	207,230.1

NOTE: All figures tie to the Budget released on January 29, 1990.

a/ Appropriated as a separate account in 1990. Included within Annual Contributions for Assisted Housing in 1989 and 1991.

b/ Moderate Rehabilitation (SRO) included within Annual Contributions for Assisted Housing in 1989 and 1991.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOMEOWNERSHIP AND OPPORTUNITY FOR PEOPLE EVERYWHERE (HOPE GRANTS)

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Budget Authority: (Appropriation) Requested........................	NA	NA	NA	$250,000	+$250,000
Proposed Transfer to Research and Technology...................	NA	NA	NA	-340	-340
Total...........................	NA	NA	NA	249,660	+249,660
Budget Outlays....................	NA	NA	NA	...	...

SUMMARY OF BUDGET ESITMATES

SUMMARY OF BUDGET REQUEST

Authorizing legislation is being proposed for a comprehensive Homeownership and Opportunity for People Everywhere (HOPE) initiative to increase homeownerhip opportunities for low- and moderate-income families and to create jobs and entrepreneurial activity in the Nation's distressed urban and rural communities. The HOPE Grants program is a component of the overall initiative. HUD is requesting an appropriation of $250 million for the proposed HOPE Grants program for 1991. In support of program monitoring and evaluation, approximately $340 thousand of the amount requested would be transferred to the Research and Technology account.

EXPLANATION OF INCREASES AND DECREASES

This is a new program proposal; therefore, if approved, 1991 would be its first funding year.

PROGRAM DESCRIPTION

The overall (HOPE) initiative which encompasses the HOPE Grants program, embraces the following fundamental principles:

-- empowering low-income families to achieve self-sufficiency and have a stake in their communities by promoting resident management and urban homesteading;

-- expanding homeownership and affordable housing opportunities for low- to moderate-income families and young families just starting out;

-- helping to end the tragedy of homelessness and to provide special emphasis on assisting the long-term homeless who are in need of social services or health care; and

-- creating jobs and economic opportunities in our Nation's distressed inner cities and rural areas.

The proposed HOPE Grants program will provide about $250 million in 1991 to enable low-income families to become homeowners with a stake in their communities by providing funds for resident homeownership in public housing, Government-held vacant and foreclosed properties, and financially "distressed" properties held in the FHA portfolio. This includes $10 million to fund a services component for the elderly to be used in conjunction with Section 8 vouchers.

Homeownership and Opportunity for People Everywhere (HOPE) (cont.)

1. Resident Homeownership. Homeownership for low-income families and empowerment of the poor, through resident management, are two of the Administration's key goals for housing policy. HUD does not now have permanent programs for these purposes. Currently, these activities are funded by special set-asides from other programs. HOPE Grants will enable many public housing residents and other lower-income families to purchase their homes, will capitalize on the existing strengths and abilities of non-profit organizations and community-based housing development organizations, and will increase the housing resources available to the Nation's poor.

-- HOPE Grants will provide $1.9 billion over 3 years to increase homeownership opportunities for low-income families. The grants will be used in public housing, vacant and foreclosed properties currently held by the Government, and "distressed" properties held in the FHA portfolio.

-- States, localities or non-profit organizations generally will be required to provide $1 for every $2 they receive in Federal HOPE Grant funds.

-- HOPE Grants will be used for rehabilitation, acquisition, technical assistance, capital reserves, security, and mortgage assistance, but not for new construction.

-- Up to 15 percent of the HOPE Grants for distressed FHA properties will be used for a network of non-profit packagers to provide guidance and assistance to local housing groups in their development of homeownership opportunities. All HOPE Grants, including the technical assistance funds, will be awarded competitively.

The HOPE Grants program will be structured to allow for maximum flexibility for local governments, PHAs and nonprofits to design homeownership programs which reflect local needs and conditions. There will be no single "best" program approach.

The $240 million for resident homeownership will be distributed as follows:

Resident Homeownership Funding
(Dollars in Millions)

Public Housing Homeownership.................	$96
Distressed FHA Properties....................	72
Non-profit and Affordable Housing............	72
Total....................................	240

Further details of the HOPE grant program will be provided as soon as the legislative language is finalized.

2. Services for Elderly Independence. Included within the $250 million for HOPE Grants is $10 million for a demonstration program for services to be associated with voucher assistance for the elderly. This demonstration will involve 1,500 vouchers to be funded using $34 million of Section 8 assistance under the Annual Contributions account.

Overall Hope Initiative. In addition to HOPE Grants, the HOPE initiative includes the following components:

-- Homeless Assistance ($246 million). A new "Shelter Plus Care" program is being proposed to provide rental assistance to homeless individuals who are seriously mentally ill or have chronic problems with alcohol, other drugs, or both, in concert with supportive services funded from other sources. The program is designed to provide homeless individuals with the housing and supportive services they need in order to live as independently as they are able. In addition to housing needs, the persons to be served require a high degree of both medical and non-medical support.

Homeownership and Opportunity for People Everywhere (HOPE) (cont.)

The supportive services can be provided by other Federal, State, local or private programs. In providing both transitional housing and permanent housing assistance, the program will target three different kinds of housing aid to these hardest to serve homeless individuals:

* Rental Housing Assistance for the Homeless program. This represents a new proposal involving a 5-year flexible rental assistance program. The Rental Housing Assistance for the Homeless program would be funded at a cost of about $161 million and provide approximately 6,600 units. This program will be the centerpiece of the "Shelter Plus Care" initiative--offering flexibility in the use of funding and in the type of accommodations eligible.

* Moderate Rehabilitation Single Room Occupancy (SRO). A total of $49.6 million will be used in 1991 under this existing program in support of 1,305 SRO units. Applications for assistance must be submitted jointly by a PHA and a State, unit of general local government or a Tribe. The full 10 years of housing assistance provided under this program must be matched equally with funds for supportive services.

* Section 202(h) Program for the Handicapped. A total of $35.8 million is to be setaside under Section 202(h) for a program of 5-year project-based assistance in group homes or independent living units. The program will extend eligibility to all persons suffering from alcohol and/or drug abuse--and not to just those who are also mentally ill. Other differences include:

  ** applicant is a government entity, not a nonprofit sponsor;

  ** assistance is for 5 years and not 20 years; and

  ** matching funds are required.

In order to receive assistance under this program, applicants would have to demonstrate that they will provide or secure supportive services appropriate to the needs of the population served and equal to the amount of rental assistance being funded by HUD.

-- Public Housing Homeownership Support ($251 million). To facilitate Public Housing Homeownership Opportunities under the HOPE Grants program, a total of 6,000 certificates and vouchers funded from the Subsidized Housing account are requested for relocation, replacement of rental units due to homeownership, rental assistance for non-purchasing tenants, and post-sale subsidy for purchasing tenants.

The following table presents a program-by-program breakout of the 1991 Public Housing homeownership proposals included in the HOPE initiative.

Section 8 Program	Units	Amount (Dollars in Millions)
Vouchers in support of homeownership.........	1,886	$54.9
Vouchers for transitional assistance.........	3,000	87.4
Replacement Certificates.....................	1,114	108.9
Total..	6,000	251.2

-- Prepayment/Preservation ($412 million). This aspect of the EOPE initiative proposes $412 million to fund a three-pronged approach to protecting residents who would be adversely affected by project prepayment.

* One part of the program is to offer tenant groups first-right to purchase and convert their buildings to homeownership, resident-owned structures. Tenants would receive the equivalent of 10 years of housing voucher costs to be used for acquisition, rehabilitation, technical assistance and other uses.

Homeownership and Opportunity for People Everywhere (HOPE) (cont.)

- Should tenants decide not to purchase the project, owners could be given certain incentives not to prepay their mortgages. This could be accomplished through additional Federal subsidies.

- If owners elect to prepay, HUD could protect tenants with vouchers. Tenants could either use these vouchers in the same project (if it remains rental) or at another location of their choice.

-- Individual Retirement Accounts for First Time Homebuyers. It is often difficult for first-time homebuyers to accumulate the savings needed for downpayments and closing costs--especially as house prices increase. This initiative will help achieve homeownership by allowing first-time buyers to withdraw funds from their tax-deferred IRAs without penalty. There would be a maximum withdrawal of $10,000 and a maximum price of 110 percent of the average area purchase price.

-- Housing Opportunity Zones. This program is part of a Federal/local partnership to remove barriers to, and create incentives for, affordable housing for low and moderate income families in distressed urban or suburban areas. The proposal will create 50 Housing Opportunity Zones. Selection would be competitive from among applications submitted by local governments, based on the plan developed by the local government to reduce barriers to affordable housing.

-- Low-Income Housing Tax Credits. The goal of this proposal is to ensure that low-income families and the working poor have an adequate stock of rental housing available at affordable rents. To achieve this, the Administration is proposing legislation to extend the low-income housing tax credit through 1991 with the allocation per State resident in 1990 at the same level as provided in other years. The low-income housing credit provides tax incentives for the construction and/or rehabilitation of rental housing for low-income families. The tax credit provides real estate investors tax savings over a 10-year period.

-- Enterprise Zones. It is essential that jobs and entrepreneurial activity be created in distressed areas and to allow these areas to fully participate in the Nation's overall economic recovery. The HCD Act of 1987 directed the Department to establish as many as 100 Federal Enterprise Zones. However, no Federal incentives were provided. The Administration's current proposal calls for the repeal of this legislation and enactment of sweeping new tax and regulatory incentives for 50 (urban, rural and Indian) Enterprise Zones. Selection is to be made on a competitive basis. Evaluation will be flexible and will be based on the level of distress as well as the nature and extent of State and local efforts to eliminate Government burdens to economic activity and improve livability. The incentives are designed to attract venture and seed capital, stimulate employment within the zones and reduce income taxation on the working poor.

The President's Enterprise Zone proposal contains three Federal tax incentives. The wage credit incentive would provide a 5 percent refundable tax credit for the first $10,500 of wages, up to $525 per worker, to qualified employees for wages earned in an Enterprise Zone business. The corporate stock expensing incentive would allow an up-front deduction of up to $50,000 per year of new equity investment, with a $250,000 lifetime limit. Corporations issuing the stock must have less than $5 million of total assets and must use the stock proceeds to acquire tangible assets located within the Zone. The third incentive, capital gains elimination, allows a zero capital gains rate for gains on investment in tangible property used in an Enterprise Zone business and located within a Zone for at least 2 years.

-- Operation Bootstrap. Starting in 1991, the Department proposes to require that Public Housing Authorities and local governments have an Operation Bootstrap program which will help welfare and other low-income families achieve upward mobility by combining housing assistance with support services such as job training, child care and transportation. The Department has already conducted a demonstration in which selected local communities have instituted creative and successful programs linking housing subsidies with job training and other services to housing tenants.

The following table summarizes the total resources being directed toward the HOPE initiative--including appropriated funds, tax expenditures and local matching funds for 1991.

SUMMARY OF HOPE INITIATIVES
FISCAL YEAR 1991

	Units	Budget Resources
	(Dollars in Thousands)	
TAX EXPENDITURES:		
Enterprise Zones	NA	$50,000.0
Retirement Accounts--IRAs/401(k)	NA	40,000.0
Tax Credits (LIHTC)	NA	97,000.0
Subtotal, Tax Expenditures	NA	187,000.0
NEW BUDGET AUTHORITY:		
HOPE Grants Program:		
Elderly Independence Services	NA	9,986.4
Public Housing Homeownership	NA	95,869.4
HUD Multifamily Homeownership	NA	71,902.1
Homeownership through Non-Profits	NA	71,902.1
Subtotal, HOPE Grants	NA	249,660.0
Preservation Through Homeownership (Preservation/ Prepayment)	12,500	411,740.5
Public Housing Homeownership (Relocat./Replacement):		
Public Housing Homeowner Vouchers	1,886	54,929.8
Public Housing Transitional Vouchers	3,000	87,375.0
Homeownership Replacement Certificates	1,114	108,865.7
Subtotal, Public Housing Homeownership	6,000	251,170.5
Homeless: a/		
Section 202(h) Program for Homeless	1,000	35,835.0
Moderate Rehabilitation SRO	1,305	49,571.3
Rental Housing Assistance for the Homeless	6,600	160,782.0
Subtotal, Homeless	8,905	246,188.3
Elderly Independence Demonstration a/	1,500	34,050.0
Total Appropriated Funds	28,905	1,192,809.3
Total Federal Expenses	28,905	1,379,809.3
MATCHING FUNDS:		
HOPE Grants Match	NA	119,900.0
Homeless Initiatives Match	NA	236,000.0
Subtotal, Matching Funds	NA	355,900.0
Grand Total	28,905	1,735,709.3

a/ Components of "Shelter Plus Care" program.

NOTE: Data reflect proposed transfers to Research and Technology account for program evaluation and monitoring. Tax expenditures reflect Department of Treasury's latest estimates.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs. 1990
			(Dollars in Thousands)		
Reservations (units -- gross basis)					
Incremental Units					
Public Housing..............	5,246	...	6,293	...	-6,293
Indian Housing..............	1,478	...	1,822	...	-1,822
Elderly:					
Section 202...............	6,717	4,000	5,593	3,097	-2,496
Leased housing............	NA	NA	NA	1,700	+1,700
Handicapped:					
Section 202 new const.....	2,456	3,000	2,096	870	-1,226
Leased Housing............	NA	NA	NA	1,300	+1,300
Vouchers....................	46,694	100,650	23,072	43,038	+19,966
Certificates................	18,765	...	30,523	6,889	-23,634
Public Housing Homeownership	...	...	2,000	6,000	+4,000
Moderate Rehabilitation.....	691	...	2,114	...	-2,114
SRO Homeless................	1,205	1,350	1,995	1,305	-690
Prepayment/Homeownership....	NA	...	NA	6,250	+6,250
Prop. Disp. (Homesteading)..	NA	...	NA	5,000	+5,000
Total, Annual Contributions	83,252	109,000	75,508	75,449	-59
Rental Housing Assistance for the Homeless (CPD)........	NA	...	NA	6,600	+6,600
Total Incremental.........	83,252	109,000	75,508	82,049	+6,541
All Other Units					
Voucher Opt-Outs/Public Housing Demolitions/Public Housing Relocation/Prepayments/Other	828	9,833	8,639	12,650	+4,011
Property Disposition, Conversions and Loan Management.........	6,047	5,500	14,518	11,300	-3,218
Total, Other..............	6,875	15,333	23,157	23,950	+793
Total Reservations........	90,127	124,333	98,665	105,999 a/	+7,334
Construction or Substantial Rehabilitation Starts (units)					
Housing Assistance Payments (Section 8)........	7,989	13,000	15,500	12,500	-3,000
Public Housing..............	3,362	5,500	5,000	5,000	...
Indian Housing..............	2,667	2,109	2,305	1,521	-784
Total.....................	14,018	20,609	22,805	19,021	-3,784
Units Made Available for Occupancy (Including Existing Housing)					
Housing Assistance Payments (Section 8)	96,399	100,500	107,655	123,975	+16,320
Public Housing..............	3,163	7,300	4,200	6,800	+2,600
Indian Housing..............	2,075	1,892	2,471	2,374	-97
Total.....................	101,637	109,692	114,326	133,149	+18,823

Annual Contributions for Assisted Housing

Appropriation (Budget Authority)					
Enacted or proposed............	7,518,765b/	6$592,594	8,115,221e/	13,286,874d/	+5,171,653
Appr. Act Reduction (Sec. 517).	...	...	-125,786	...	+125,786
Sequestration..................	...	...	-101,580	...	+101,580
Rescission of Recaptures.......	-427,470	-221,500	-311,236	-236,375	+74,861
Transfers from Other Accounts..	...	...	...	157,000	+157,000
Transfers to Other Accounts....	-88,000	...	-38,205	-17,545	+20,660
Total Budget Authority......	7,003,295	6,371,094	7,538,414	13,189,934	+5,651,540
Budget Authority (Use) e/........	6,960,572	6,592,594	8,682,312	13,426,329	+4,744,017
Budget Authority Available					
Carryover......................	327,801	...	881,070	...	-881,070
Recaptures.....................	507,295	221,500	311,236	236,375	-74,861
Rescission of Recaptures.......	-427,470	...	-311,236	-236,375	+74,861
Restoration of Authority.......	3,252	...	...	...	...
Enacted or Requested (Net).....	7,518,765	6,592,594	7,814,957b/	13,286,874	+5,471,917
Transfers from Other Accounts..	...	...	...	-157,000	+157,000
Transfers to Other Accounts....	-88,000	...	-13,715	-17,545	-3,830
Total Available.............	7,841,642	6,592,594	8,682,312	13,426,329	+4,744,017

a/ Includes 6,600 units funded under Rental Housing Assistance for the Homeless program administered under Community Planning and Development.

b/ Excludes $20 million provided for the Nehemiah Grants program; includes amounts provided for contract renewals and Moderate Rehabilitation SRO units.

c/ Excludes $1.1 billion for contract renewals and $73 million for SRO units appropriated under separate accounts.

d/ Includes appropriations of $7.7 billion for contract renewals and $49.6 billion SRO units; excludes modernization of $1.8 billion and Drug Elimination Grants of $149.8 million.

e/ Reflects amounts available for Section 8, Section 202(h) and Public and Indian Housing programs for the period 1989-1991, but, consistent with appropriation action, excludes SRO and renewal activity in 1990.

NOTE: This section of the Justification provides a detailed description of the Section 8 program which is the responsibility of the Assistant Secretary for Housing. This section also high-lights all the programs included under the heading "Annual Contributions for Assisted Housing." Specific details on the Public Housing, Indian Housing and Modernization programs may be found in the section of this Justification entitled "Public and Indian Housing Programs."

In order to have a "focus" for its programs, the Department established several general priorities. The 1991 Budget proposed for Annual Contributions for Assisted Housing programs directly and indirectly addresses several of these priorities in the following manner:

-- Expansion of homeownership opportunities and empowerment of the poor through the Preservation/Homeownership program, sale of HUD-owned properties to resident management groups, and support of Public Housing homeownership with the provision of certificates and vouchers for replacement, transitional and relocation assistance;

-- Expansion of affordable rental housing opportunities through the Section 8 incremental certificate and voucher programs, and the Section 8/202 and Section 202(h) programs;

-- Support of Enterprise and Housing Opportunity Zones by creating and restoring housing opportunities; and

-- Helping to end the tragedy of homelessness by providing continued assistance under the Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) program.

In addition, the Department is continuing in its efforts to maintain housing assistance for the poor by replacing units lost through demolition or disposition, providing loan management and property disposition assistance, replacing subsidies lost through owner opt-outs and ensuring continued assistance to those already being helped by renewing expiring subsidy contracts.

Annual Contributions for Assisted Housing

1. SUMMARY OF BUDGET ESTIMATES

A. 1991 Program Levels:

a. Funding Level. The Budget request reflects a program level of $13,426 million for 1991 in support of the reservation of 99,399 units. This level of funding represents an appropriation request of $13,287 million, proposed transfers of $70 million from the Rental Housing Assistance Fund and $87 million from the Section 312 Rehabilitation Loan Fund, and a transfer of $17.5 million to the Research and Technology account in support of program evaluation and monitoring activities. Appropriation language also has been proposed to rescind all budget authority recaptured during 1991 except for one-half of the amounts recaptured from financial adjustments.

b. Incremental Units. A total of 75,449 of the 99,399 unit reservations proposed for 1991 are incremental. The incremental units are comprised of 47,924 vouchers (including 4,886 related to HOPE and Public Housing Homeownership), 8,003 certificates (including 1,114 Replacement Homeownership Certificates under HOPE), 4,797 units for the elderly, 2,170 units for the handicapped, 1,305 Single-Room Occupancy (SRO) Moderate Rehabilitation units for the home-less, 6,250 preservation units and 5,000 property disposition units.

The latter two categories of incremental assistance represent only a portion of the total number of units to be provided under these set-asides. It is assumed that approximately one-half of the 12,500 units requested for Homeownership Through Preservation (HOPE) and half of the 10,000 units estimated to receive property disposition assistance will involve units which were not previously subsidized. Therefore, rental subsidy for these units will constitute "incremental" assistance.

In addition to the 75,449 incremental units being provided under Annual Contributions, another 6,600 units are to be funded under the Rental Housing Assistance for the Homeless program. Inclusion of these units, brings the total number of incremental units to 82,049 for 1991.

A total of 22,655 of the incremental units are for the HOPE initiative described elsewhere in these Justifications.

The incremental total (82,049 units) is consistent with the level provided for in recent appropriation acts. In 1988 and 1989, funding was appropriated in support of 77,905 and 84,955 units, respectively, and the 1990 Appropriations Act provided for 79,023 units--including 5,809 units under the loan management set-aside.

c. Nonincremental Units. The 23,950 non-incremental units proposed for 1991 will be targeted to a wide range of activities. A total of 4,000 vouchers and 1,400 certificates will be used as relocation assistance where Pubic Housing units are lost through demolition or disposition. Another 1,000 vouchers will be employed to assist tenants affected by project owners opting out of subsidy programs.

To address the problem of mortgage prepayment, a three-pronged approach has been developed to protect tenants who could be adversely affected by unaffordable rents (or loss of unit) brought about by prepayment. It is estimated that the funding requested for this initiative, which is part of HOPE, would support approximately 12,500 units--6,250 of which would be nonincremental units. Furthermore, 10,000 units will be provided to tenant groups wishing to take over HUD-held rental properties for the purpose of converting them into homeownership cooperatives. It is projected that 5,000 of these "property disposition" units will represent previously assisted units and, therefore, would also be considered nonincremental.

The remaining nonincremental units consist of 5,000 units to be used under the Loan Management set-aside for default prevention activities and 1,300 units to facilitate the conversion of Section 23 units to Section 8 assistance.

d. Total Number of Units. The 99,399 units requested under the Annual Contributions programs, combined with the 6,600 units proposed under the new Rental Housing Assistance for the Homeless program, represent a total of 105,999 units.

B. Major Program Objectives:

In order to assure greater coordination and effective program targeting, many of the Department's programs have been assigned roles under several major goals or objectives. The function of many of the Annual Contributions programs under these broad "themes" is summarized below.

a. HOPE Initiatives. Several of the set-asides under Annual Contributions are incorporated within the Department's Homeownership and Opportunity for People Everywhere (HOPE) Initiative. The purpose of the initiative is to (1) expand opportunities for low-to-moderate income families to manage rental properties and eventually to own their own homes; (2) reduce or eliminate artificial barriers to the development of low-cost housing; (3) help very-low-income families to achieve economic self-sufficiency; (4) address the needs of the long-term homeless for housing, intensive social services, and health care; and (5) create jobs and economic opportunities in distressed inner-city and rural areas. Those Subsidized Housing programs included within the HOPE initiative are:

(1) Public Housing Homeownership. An integral part of the HOPE initiative is the use of Section 8 vouchers and certificates in conjunction with Public Housing homeownership projects for: (1) post-sale subsidies, (2) for replacement housing units and (3) for rental assistance for non-purchasing tenants. The set-asides to be used for these purposes are:

Section 8 Set-Aside	Units	Amount ($ in Millions)
Vouchers in support of homeownership........	1,886	$54.9
Vouchers for transitional assistance........	3,000	87.4
Replacement Certificates....................	1,114	108.9
Total.......................................	6,000	251.2

Post-sale subsidies would be available to lower income families to assist them in affording the costs of homeownership. The assistance would be available to both families who are living in the projects at the time of sale and to eligible purchasing families who move in after sale and are unable to afford the costs of homeownership. These certificates and vouchers also could be used to provide some or all of the replacement housing needed. In addition, the rental subsidies could be provided to non-purchasing residents to remain in the project or move to another project with the assistance. However, subsidies to non-purchasing tenants would be limited to those tenants who reside in the project at the time the Department approves the HOPE grant.

(2) Preservation Through Homeownership (Prepayment and Preservation). Legislation is proposed to implement a preservation through homeownership program to address the problem of prepayment of Section 221(d)(3) and Section 236 mortgages. Under this component of the HOPE initiative, $412 million will be used to fund a three-pronged approach to protecting residents who would be adversely affected by project prepayment. The proposal is expected to involve approximately 12,500 units.

- One part of the program is to offer tenant groups first—right to purchase and convert their buildings to homeownership, resident-owned structures. Tenant groups would receive the equivalent of the present value of 10 years of housing voucher costs to be used for acquisition, rehabilitation, technical assistance and other uses.
- Should tenants decide not to purchase the project, owners could be given certain incentives not to prepay their mortgages. This could be accomplished through additional Federal subsidies.
- If owners elect to prepay, HUD could protect tenants with vouchers. Tenants could either use these vouchers in the same project (if it remains rental) or at another location of their choice.

(3) Homeless Assistance. A new "Shelter Plus Care" program is being proposed to provide rental assistance to homeless individuals who are seriously mentally ill or have chronic problems with alcohol, other drugs, or both, in concert with supportive services funded from other sources. The program is designed to provide homeless individuals with the housing and supportive services they need in order to live as independently as they are able. To receive assistance under

Shelter Care, applicants would have to demonstrate that they will provide or secure supportive services appropriate to the needs of the population served and equal to the amount of rental assistance being funded by HUD.

In providing both transitional housing and permanent housing assistance, the program will target three different kinds of housing aid to these--hardest to serve--homeless individuals: (1) five-year flexible rental assistance for 6,600 units under the Rental Housing Assistance for the Homeless program, (2) 1,305 units of moderate rehabilitation assistance under the Section 8 Single-Room Occupancy (SRO) program, and (3) 1,000 units provided through the Section 202(h) program for the handicapped. Briefly, the role of the programs included within the Annual Contributions request is defined as follows:

- Moderate Rehabilitation Single Room Occupancy (SRO). A total of $49.6 million will be used in 1991 under this existing program in support of 1,305 SRO units. Applications for assistance must be submitted jointly by a PHA and a State, unit of general local government or a Tribe. The full 10 years of housing assistance provided under this program must be matched equally with funds for supportive services.

- Section 202(h) Program for the Handicapped. A total of $35.8 million is to be set aside under Section 202(h) for a 1,000 unit Shelter Care program of 5-year project-based assistance in group homes or independent living units. The program will extend eligibility to all persons suffering from alcohol and/or drug abuse--and not to just those who are also mentally ill. Differences include the fact that applicants will be limited to government entities and not nonprofit sponsors. In addition, assistance will be for a 5-year term (not 20 years) and matching funds will be required.

(4) Elderly Independence Demonstration. An estimated $34 million is proposed for 1,500 vouchers under an Elderly Independence Demonstration program. These vouchers will be used in conjunction with $10 million included within the funding proposed for the HOPE Grants program for supportive services and will test whether housing vouchers together with services can be a cost-effective tool in helping very low-income elderly to continue to live in their homes. In order to ensure only necessary services, the program will operate under a co-payment requirement where costs are shared by HUD, local housing authorities and the tenant. The HUD contribution will cover 40 percent of the cost of services provided. Local housing authorities will be required to pay 50 percent of the cost (using State funds). The elderly recipient of the services will be required to pay only 10 percent of the expense.

b. Urban Homesteading. Another program to address the Department's goal to promote tenant management and homeownership opportunities is a proposed "Urban Homesteading" initiative. Under this proposal, Section 8 assistance would be available to help tenant groups acquire HUD-owned multifamily properties. A total of 10,000 units, at a cost of $329 million will be provided to tenant groups desiring to acquire a HUD-owned rental property and turn it into a homeownership cooperative. To the extent available resources cannot be used for homeownership purposes, the Budget includes language permitting the use of balances for property disposition activities--using 5-year Section 8 certificates or vouchers.

C. Other 1991 Program Proposals:

The remainder of the subsidized housing programs address the need to provide affordable housing opportunities not only by providing additional units but also by maintaining those units already in the subsidized housing inventory and under payment.

a. Elderly Housing. In 1991, a total of $457.9 million of rental assistance is being requested under the Section 202/8 program for 3,097 units of new construction to serve the needs of the elderly population. These units are intended to provide a supply of housing for those areas experiencing a shortage of housing appropriate to the needs of the elderly. In order to finance the construction of these units, loan authority also is being requested under the Section 202 Loan Fund.

However, to take advantage of inventory in those markets where a sufficient supply of existing units already exists, $60.9 million is requested for a leased housing component to begin in 1991. Legislation is being proposed to allow the use of 5-year leases in conjunction with providing units to the elderly. Construction of new housing is time consuming and the needs of the elderly could served much more quickly if suitable units in the existing inventory could be utilized. Since these are existing units, no Loan Fund assistance will be needed. The $60.9 million requested for 1991 would support 1,700 leased existing units.

In addition to these units, the 1991 proposal includes 1,500 units of incremental voucher assistance (as part of the HOPE initiatives noted earlier) for a demonstration program to test the feasibility of using services augmented vouchers to help very-low-income elderly live in their homes and avoid institutionalization.

The 3,097 units of new construction, 1,700 units of leased housing and 1,500 units of services/vouchers would bring the total amount of assistance directed to the elderly to 6,297. Furthermore, to help keep projects in the pipeline viable, $186 million is being requested for amendments to existing contracts.

b. Housing for the Handicapped. Legislation is also proposed to allow for a leased housing component under the Section 202(h) program for the handicapped. In addition to 870 units of new construction, the Budget proposes the leasing of 1,300 units of existing housing. Included within the 1,300 units of leased housing are 1,000 units to be targeted under the HOPE initiatives to the chronically mentally ill homeless who are suffering from alcohol and/or drug abuse.

A total of $186 million is being sought within Annual Contributions for this 2,170 unit program of new construction and leased existing housing. Amendment funding amounting to $52 million also is being requested.

c. Administrative Fees. The budget authority estimates for vouchers and certificates include the fees paid to Public Housing Authorities to administer the programs. Legislation is proposed to equalize the voucher and certificate fees at 7.65 percent of a two bedroom unit Fair Market Rent in 1991. This would result in an average fee of $574 per year. Based on this average, PHA fees constitute $151.9 million of the total $1,564.7 million for vouchers and $27.0 million of the total $367.7 million for certificates.

d. Certificate Program. A total of $367.7 million is included in the Budget for 9,403 Section 8 certificates. Within the total are 6,889 incremental units which could be used for project-based assistance. In addition, there are 1,400 units to aid Public Housing tenants affected by the demolition or disposition of their dwelling units. Another 1,114 certificates will be utilized as 15-year replacement units as part of the HOPE homeownership initiative.

e. Loan Management. The Budget proposes the use of $110.2 million in support of 5,000 units for loan management needs in 1991. By helping to maintain the financial stability of HUD-insured projects, this set-aside is a means of helping to prevent claims against FHA Insurance funds.

f. Section 23 Conversions. An estimated 1,300 units are expected to convert from the Section 23 Leased Housing program to the Section 8 program in 1991 requiring $22.8 million of Section 8 budget authority.

g. Amendments. In addition to the $238 million being requested for Section 8/202 and 202(h) contract amendments noted earlier, the Budget reflects the need for $1.8 billion for amendments to contracts involving other types of Section 8 assistance. The $1.8 billion total includes an estimated $70 million for the first year retroactive payments in compliance with the "Rainier View" provisions in the Department of Housing and Urban Development Reform Act of 1989.

h. Contract Renewals. The Budget proposes the use of $7.7 billion in 1991 for the funding of contract renewals. The 1990 Appropriations Act provided funding for renewals as a separate appropriation--distinct from the Annual Contributions account. This Budget, on the other hand, is based on including amounts needed for 1991 renewals within the Annual Contributions request and the transfer of balances of the 1990 appropriation back into Annual Contributions in 1991.

There are some differences to be noted from renewal estimates included in prior budgets. First, as a result of efforts to "clean up" the data base from which the estimates of contract expirations are drawn, revised estimates were supplied to the Appropriations Committees last year. This budget is based on the same assumptions and data base as those revisions. Prior budgets assumed funding only for expirations occurring within a given year. To ensure that no interruption in subsidy payments occurs, this Budget makes provision for expirations occurring during the early part of subsequent years. Prior budget estimates were based on the use of vouchers--exclusively--to renew contracts. The 1991 Budget proposes the use of vouchers, certificates and loan management units, as appropriate.

Annual Contributions for Assisted Housing

The table below presents a breakout of the funding, by unit type, requested for 1991. A more detailed discussion of the renewal situation is included later in these justifications.

	UNITS	COST	BUDGET AUTHORITY
Loan Management.............	123,522	$5,024	$3,102,872,600
Certificates................	136,490	5,355	3,654,519,750
Vouchers....................	34,483	5,670	977,593,050
Total.....................	294,495		7,734,985,400

i. Public and Indian Housing Programs. No funding is being requested for Public and Indian Housing development for 1991. The Department believes that the needs of the low-income population are better served by focussing scarce resources on the use of the existing inventory through Section 8 vouchers and certificates and emphasis on Public Housing homeownership and preservation. Modernization funds are being requested for 1991 under a separate appropriation. Details of the request are discussed in a later justification.

j. Legislative and Administrative Initiatives. The Budget assumes the enactment of several legislative proposals and the implementation of certain administrative and/or regulatory initiatives in 1991. Those impacting upon Annual Contributions programs are briefly summarized below:

(1) Legislative Proposals:

-- Allow the lease of housing units in the Section 8/202 and Section 202(h) Handicapped programs, with 5 year assistance contracts.

-- Institute a three-part Preservation program to address the problem of prepayment of Section 221(d)(3) and Section 236 mortgages.

-- Institute an Urban Homesteading initiative which will provide assistance to tenants for property acquisition.

-- Add a welfare rent feature to the formula for determining assistance under the voucher program.

-- Equalize FHA fees for the certificate and voucher programs at 7.65 percent.

-- Revise the 1987 Housing and Community Development Act and McKinney Technical Amendments of 1988 to:

o Permit the use of tenant-based assistance when disposing of unsubsidized projects at foreclosure or HUD-owned sale in soft market areas.

o Eliminate the requirement that financial assistance be provided to vacant units in unsubsidized projects.

o Require applicants to provide supportive services on a matching basis for the term of the Moderate Rehabilitation Single-Room-Occupancy housing assistance, to assist the homeless.

-- Incorporate obligated and unobligated balances of the 1990 appropriation for Moderate Rehabilitation Single-Room- Occupancy housing assistance and for the renewal of expiring Section 8 subsidy contracts into the Annual Contributions account.

(2) Administrative/Regulatory Initiatives:

-- Refunding expiring Section 8 contracts with new 5-year contracts rather than the wholesale replacement of contracts with vouchers as proposed in past budgets; and

-- Requiring local housing authorities and their local governments to demonstrate to HUD that welfare families and families with very low earnings will be required to participate in a comprehensive program of services -- "Operation Bootstrap".

D. 1990 Program:

For the most part, the 1990 program for Annual Contributions reflects activities provided for in the 1990 Appropriations Act and applicable provisions in recently enacted authorizing legislation. The estimates also reflect certain reprogramming proposals requested as part of an Operating Plan submitted by the Department for 1990.

a. Funding Level. A net total of $8,682 million is available for the Section 8, Public/Indian Housing and Section 202(h) programs in 1990. This total excludes amounts appropriated separately for contract renewals and moderate rehabilitation SRO units in 1990 and amounts provided within the Annual Contributions appropriation for the Nehemiah and Drug Elimination grants programs.

The $8,682 million is comprised of $8,040 million provided in the 1990 VA-HUD Appropriations Act--less (1) a reduction of about $125 million in accordance with Section 517 of the Act, (2) a sequester of approximately $101 million pursuant to Gramm-Rudman-Hollings deficit reduction requirements and (3) a transfer of $14 million to the Salaries and Expenses account as permitted by the Act. Also within the total, is $881 million of unreserved 1989 funding carrying over and available for use in 1990.

Except for a provision in the Act allowing State Agencies to retain one-half of the amount recaptured from funds provided in prior years for financial adjustments, all recaptures of Section 8 and Public/Indian Housing authority are to be rescinded.

b. Operating Plan. As required by the Appropriations Committees, an Operating Plan was submitted reflecting reprogrammings proposed by the Department for 1990. The Operating Plan assumes full use of $8,682 million as appropriated subject to the changes and proposed reprogrammings outlined below:

(1) Use of Unreserved 1989 Funds. At the time the 1990 appropriations were enacted, the amount of unobligated funding coming out of 1989 was not known. The program levels shown in the 1990 Operating Plan reflect the use of $881 million of unreserved 1989 funds. Use of this carryover increased the number of 1990 reservations by almost 10,400 units.

(2) Section 8/202. In order to address the problem of projects being stalled in the processing pipeline due to insufficient funds, a reprogramming of Section 8/202 funding is proposed. Consistent with a shift of $55 million of Section 202 direct loan authority from development to amendments, the Plan proposes to switch $100 million of Section 8 rental assistance from new reservations to the contract amendments category. This proposal will reduce the number of new reservations by 679 units; but the additional amendment funding will enable an estimated 2,500 pipeline projects to continue on to completion.

(3) Section 202(h). An increase of 39 units will be realized as a consequence of a revision in the Section 202(h) per unit costs based on 1989 actual reservations.

(4) Public Housing Homeownership. In order to give low-income tenants an opportunity for homeownership, funding for Section 8 certificates is being increased by almost $60 million. The Plan proposes the shift of $15 million from Section 23 conversions and $44.9 million from incremental existing certificates to fund a new Public Housing Homeownership initiative utilizing Section 8 certificates. An estimated 2,000 certificates could be funded with the additional $59.9 million to be used for after-sale assistance as transitional subsidy for low-income buyers--including cooperative home-buyers, relocation, and post-sale subsidy for non-purchasing tenants. The balances remaining in the affected set-asides will be sufficient to serve 1990 needs.

(5) Use of Carryover Renewal Funds. The Operating Plan totals includes $1,433 thousand of unobligated 1989 renewal funds which are being maintained in the Annual Contributions account pending a determination as to whether these funds should be transferred to the account established for renewals in the 1990 Appropriations Act.

(6) Moderate Rehabilitation. A separate reprogramming had been submitted to the Committees on November 9, 1989, requesting that all of the funds carried over into 1990 for the Moderate Rehabilitation program ($240.7 million) be used in support of disaster relief--specifically, for the victims of Hurricane Hugo and the recent earthquake in Northern California. The Committees'

response indicated that 70 percent of the available funding could be used for disaster relief as requested. However, the remaining 30 percent is to be made available for a "revised" moderate rehabilitation program. In the Committee's view, this is in recognition of the fact that there are undoubtedly many worthy projects which were halted by in the recall of program funds. The Committees also have requested a report (by April 30, 1990) as to the allocation and use of available program funds. Such a report is forthcoming.

(7) Operation Bootstrap. As noted earlier, the Administration recognizes the need to link housing assistance with local programs if subsidy recipients are ever to escape from dependency. The Department has already conducted a demonstration in which participating local communities have put together creative and successful programs joining housing subsidies with job training and other services to housing residents. Operation Bootstrap requires that local housing authorities (and their local governments) demonstrate that welfare families and families with very low income will have access to a comprehensive program of services. For 1990, the use of certificates or vouchers for a local bootstrap program will be part of the ranking criteria for competitive selection of PHA applications for all 1990 incremental certificates and vouchers.

The following tables present the detail of the Operating Plan for 1990. The tables trace the distribution of available funding--from the amounts provided in the 1990 Appprpriations Act through the impact of reductions, sequestration, transfers, carryover and proposed reprogrammings.

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
FY 1990 - BUDGETARY RESOURCES

	APPROPRIATION				SECTION 517 REDUCTION				SEQUESTERABLE BASE			
	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority
Recaptures..............................	NA	NA	NA	221,300,000	NA	NA	NA	NA	NA	NA	NA	221,300,000
Rescission of Recaptures...........	NA	NA	NA	(221,300,000)	NA	NA	NA	NA	NA	NA	NA	(221,300,000)
Carryover..................................	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
New Budget Authority................	NA	NA	NA	8,115,221,525	NA	NA	NA	(125,786,525)	NA	NA	NA	7,989,435,000
Total, Available..........................				8,115,221,525				(125,786,525)				7,989,435,000
Public Housing												
Public Housing........................	6,500 =	70,410	NA	457,717,000	(101)=	70,410	NA	(7,094,647)	6,399 =	70,410	NA	450,622,353
Indian Housing.........................	1,800 =	74,652	NA	134,373,600	(28)=	74,652	NA	(2,082,801)	1,772 =	74,652	NA	132,290,799
Amendments............................	NA	NA	NA	184,000,000	NA	NA	NA	(2,852,013)	NA	NA	NA	181,147,987
Loan Adjustments.....................	NA	NA	NA	21,000,000	NA	NA	NA	(325,980)	NA	NA	NA	20,674,020
Modernization..........................	NA	NA	NA	2,030,000,000	NA	NA	NA	(31,465,140)	NA	NA	NA	1,998,534,860
Technical Assist. & Training....	NA	NA	NA	2,500,000	NA	NA	NA	(38,750)	NA	NA	NA	2,461,250
Subtotal, Public Housing.....	8,300 =			2,829,590,600	(129)=			(43,858,864)	8,171 =			2,785,731,740
Section 8 and Other:												
Section 202:												
Section 202-Regular.............	6,375 =	6,932	20	883,830,000	(95)=	6,932	20	(13,699,430)	6,280 =	6,932	20	870,130,570
Amendments........................	NA	NA	NA	180,000,000	NA	NA	NA	(2,790,013)	NA	NA	NA	177,209,987
Section 202-Handicapped........	2,125 =	7,625	20	324,852,500	(33)=	7,625	20	(5,032,980)	2,092 =	7,625	20	319,819,520
Amendments........................	NA	NA	NA	50,000,000	NA	NA	NA	(775,004)	NA	NA	NA	49,224,996
Subtotal, Section 202..........	8,500 =			1,437,682,500	(128)=			(22,297,429)	8,372 =			1,415,385,071
Vouchers:												
Incremental............................	23,760 =	5,083	5	675,853,200	(368)=	5,083	5	(10,475,770)	23,392 =	5,089	5	665,377,430
Opt Outs/Prepayments/Relocation	3,750	5,083	5	106,668,750	(58)	5,083	5	(1,653,370)	3,692	5,089	5	105,015,376
Renewals...............................	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Subtotal, Vouchers..........	27,510			782,521,950	(426)			(12,129,140)	27,084			770,392,802
Existing Certificates:												
Incremental............................	33,000 =	5,932	5	988,680,000	(511)=	5,932	5	(15,324,612)	32,489 =	5,932	5	973,355,388
Opt Outs/Prepayments/Relocation	3,750	5,932	5	112,390,000	(58)	5,932	5	(1,741,434)	3,692	5,932	5	110,648,566
Public Housing Homeownership....	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Public Housing Rental/Demo Replacement (15 yr.)....	500	6,307	15	47,302,500	(8)	6,307	15	(733,192)	492	6,307	15	46,569,308
Subtotal, Certificates.......	37,250			1,148,332,500	(577)			(17,799,238)	36,673			1,130,533,262
Loan Management (default servicing)	6,000	4,783	5	143,490,000	(93)	4,783	5	(2,224,105)	5,907	4,783	5	141,265,895
Property Disposition..................	3,157	6,694	15	316,945,152	(34)	6,694	15	(4,937,473)	3,123	6,694	15	312,007,679
Section 23 Conversions (5 yr.).....	400	3,394	5	6,788,000	(6)	3,394	5	(105,214)	394	3,394	5	6,682,786
Moderate Rehabilitation												
Regular..................................	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Homeless (SRO)......................	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Amendments:												
New/Sub. Rehab.....................	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Existing Housing.....................	NA	NA	NA	734,758,000	NA	NA	NA	(11,386,834)	NA	NA	5	723,371,166
Project Reserves	NA	NA	NA	950,800,823	NA	NA	NA	(8,537,453)	NA	NA	7	942,263,370
Moderate Rehab......................	NA	NA	NA	67,500,000	NA	NA	NA	(1,046,255)	NA	NA	10	66,453,745
Property Disposition...............	NA	NA	NA	20,000,000	NA	NA	NA	(310,001)	NA	NA	15	19,689,999
Subtotal, Amendments.........				1,373,058,823				(21,282,543)	NA			1,351,776,280
Subtotal, Section 8.............	82,817	NA	NA	5,210,630,925	(1,268)	NA	NA	(80,765,159)	81,549	NA	NA	5,129,865,766
Total, Public Housing and Sec. 8...	91,117	NA	NA	8,040,221,525	(1,397)	NA	NA	(124,624,023)	89,720	NA	NA	7,915,597,502
Nehemiah Grants..........................	NA	NA	NA	25,000,000	NA	NA	NA	(387,502)	NA	NA	NA	24,612,498
Drug Elimination Grants................	NA	NA	NA	50,000,000	NA	NA	NA	(775,004)	NA	NA	NA	49,224,996
Total, Annual Contributions.....	91,117	NA	NA	8,115,221,525	(1,397)	NA	NA	(125,786,525)	89,720	NA	NA	7,989,435,000
Moderate Rehabilitation												
Single Room Occupancy a/.........	[2,044]=	3,670	10	[75,000,000]	[(32)]	3,670	10	[(1,162,000)]	[2,012]=	3,670	10	[73,838,000]
Section 8 Contract Renewals: a/												
Certificates...........................	[20,305]	5,100	5	[517,777,500]	[(315)]	5,100	5	[(8,025,461)]	[19,990]	5,100	5	[509,752,039]
Vouchers..............................	[16,635]	5,400	5	[449,145,000]	[(258)]	5,400	5	[(6,961,668)]	[16,377]	5,400	5	[442,183,332]
Loan Management....................	[5,227]	4,785	5	[125,055,975]	[(81)]	4,785	5	[(1,938,346)]	[5,146]	4,785	5	[123,117,629]
Subtotal, Renewals................	[42,167]			[1,091,978,475]	[(654)]			[(16,925,475)]	[41,513]			[1,075,053,000]
Total, All Programs....................	93,161			9,282,200,000	(1,429)			(143,874,000)	91,732			9,138,326,000
Incremental Units (8) (Without LM).	75,604			3,539,316,300	(1,172)			(54,862,258)	74,432			3,484,454,042
Incremental Units (With LM)........	81,604			3,683,006,300	(1,265)			(57,086,360)	80,339			3,625,919,940

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
FY 1990 - BUDGETARY RESOURCES

	SEQUESTERABLE BASE				SEQUESTER				POST SEQUESTERABLE BASE			
	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority
Recaptures	NA	NA	NA	221,300,000	NA	NA	NA	NA	NA	NA	NA	221,300,000
Rescission of Recaptures	NA	NA	NA	(221,300,000)	NA	NA	NA	NA	NA	NA	NA	(221,300,000)
Carryover	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
New Budget Authority	NA	NA	NA	7,989,435,000	NA	NA	NA	(101,579,569)	NA	NA	NA	7,887,855,431
Total, Available				7,989,435,000				(101,579,569)				7,887,855,431
Public Housing												
Public Housing	6,399 x	70,410	NA	450,622,353	(81)x	70,410	NA	(5,729,319)	6,318 x	70,410	NA	444,893,034
Indian Housing	1,772 x	74,652	NA	132,290,799	(23)x	74,652	NA	(1,641,977)	1,749 x	74,652	NA	130,648,822
Amendments	NA	NA	NA	181,147,987	NA	NA	NA	(2,303,150)	NA	NA	NA	178,844,837
Lease Adjustments	NA	NA	NA	28,674,498	NA	NA	NA	(262,868)	NA	NA	NA	28,411,630
Modernization	NA	NA	NA	1,998,534,852	NA	NA	NA	(25,409,045)	NA	NA	NA	1,973,125,807
Technical Assist. & Training	NA	NA	NA	2,461,250	NA	NA	NA	(31,293)	NA	NA	NA	2,429,957
Subtotal, Public Housing	8,171 x			2,793,731,740	(104)x			(35,418,453)	8,067 x			2,758,313,286
Section 8 and Other:												
Section 202:												
Section 202-Regular	6,276 x	6,932	20	870,130,370	(80)x	6,932	20	(11,063,046)	6,196 x	6,932	20	859,067,324
Amendments	NA	NA	NA	177,209,987	NA	NA	NA	(2,253,090)	NA	NA	NA	174,956,897
Section 202-Handicapped	2,092 x	7,625	20	319,039,508	(27)x	7,625	20	(4,056,344)	2,065 x	7,625	20	314,983,164
Amendments	NA	NA	NA	49,224,996	NA	NA	NA	(625,860)	NA	NA	NA	48,599,136
Subtotal, Section 202	8,368 x			1,415,604,861	(107)x			(17,998,340)	8,261 x			1,397,606,521
Vouchers:												
Incremental	23,392 x	5,689	5	665,377,426	(297)x	5,689	5	(8,459,766)	23,095 x	5,689	5	656,917,660
Opt Outs/Prepayments/Relocation	3,692	5,689	5	105,015,376	(47)	5,689	5	(1,335,190)	3,645	5,689	5	103,680,186
Renewals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Subtotal, Vouchers	27,084			770,392,802	(344)			(9,794,956)	26,740			760,597,846
Existing Certificates:												
Incremental	32,489 x	5,992	5	973,355,388	(413)x	5,992	5	(12,375,471)	32,076 x	5,992	5	960,979,917
Opt Outs/Prepayments/Relocation	3,692	5,992	5	110,600,566	(47)	5,992	5	(1,408,304)	3,645	5,992	5	109,192,262
Public Housing Homeownership	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Public Housing Demol./Disp Replacement Certs. (15 yr.)	492	6,307	15	46,569,308	(6)	6,307	15	(592,093)	486	6,307	15	45,977,215
Subtotal, Certificates	36,673			1,130,525,262	(466)			(14,375,868)	36,207			1,116,149,394
Loan Management (default servicing)	5,907	4,783	5	141,265,095	(75)	4,783	5	(1,796,088)	5,832	4,783	5	139,469,007
Property Disposition	3,123	6,694	15	313,607,679	(40)	6,694	15	(3,997,282)	3,083	6,694	15	309,610,397
Section 23 Conversions (5 yr.)	394	3,394	5	6,682,786	(5)	3,394	5	(84,967)	389	3,394	5	6,597,819
Moderate Rehabilitation												
Regular	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Homeless (SRO)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Amendments:												
New/Sub. Rehab	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Existing Housing	NA	NA	5	723,371,166	NA	NA	5	(9,197,112)	NA	NA	5	714,174,054
Project Reserves	NA	NA	7	542,263,370	NA	NA	7	(6,894,465)	NA	NA	7	535,368,905
Moderate Rehab.	NA	NA	10	66,453,745	NA	NA	10	(844,909)	NA	NA	10	65,608,836
Property Disposition	NA	NA	15	19,609,999	NA	NA	15	(250,340)	NA	NA	15	19,359,659
Subtotal, Amendments	NA			1,351,698,280	NA			(17,186,826)	NA			1,334,511,454
Subtotal, Section 8	81,549	NA	NA	5,129,060,766	(1,037)	NA	NA	(65,222,380)	80,512	NA	NA	5,064,643,437
Total, Public Housing and Sec. 8	89,720	NA	NA	7,915,597,505	(1,141)	NA	NA	(100,640,782)	88,579	NA	NA	7,814,956,723
Nehemiah Grants	NA	NA	NA	24,612,490	NA	NA	NA	(312,925)	NA	NA	NA	24,299,565
Drug Elimination Grants	NA	NA	NA	49,224,996	NA	NA	NA	(625,860)	NA	NA	NA	48,599,136
Total, Annual Contributions	89,720	NA	NA	7,989,435,000	(1,141)	NA	NA	(101,579,569)	88,579	NA	NA	7,887,855,431
Moderate Rehabilitation												
Single Room Occupancy a/	[2,012]x	3,670	10	[73,838,000]	[(18)]x	3,670	10	[(932,541)]	[1,994] x	3,670	10	[72,905,459]
Section 8 Contract Renewals: a/												
Certificates	[19,990]	5,100	5	[509,752,839]	[(10)]	5,100	5	[(266,238)]	[19,980]	5,100	5	[509,486,601]
Vouchers	[16,377]	5,400	5	[442,183,332]	[(8)]	5,400	5	[(230,949)]	[16,369]	5,400	5	[441,952,383]
Loan Management	[5,146]	4,785	5	[123,117,625]	[(3)]	4,785	5	[(64,303)]	[5,143]	4,785	5	[123,053,322]
Subtotal, Renewals	[41,513]			[1,075,053,800]	[(21)]			[(561,490)]	[41,492]			[1,074,491,510]
Total, All Programs	91,732			9,138,326,800	(1,159)			(102,794,000)	90,573			9,035,532,800
Incremental Units (x) (Without LM)	74,432			3,484,654,045	(939)			(44,018,864)	73,493			3,440,635,181
Incremental Units (With LM)	80,339			3,625,919,940	(1,014)			(45,814,952)	79,325			3,580,104,987

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
FY 1990 - BUDGETARY RESOURCES

	POST SEQUESTERABLE BASE				TRANSFER				POST TRANSFER BASE			
	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority
Recaptures	NA	NA	NA	321,300,000	NA	NA	NA	NA	NA	NA	NA	321,300,000
Rescission of Recaptures	NA	NA	NA	(321,300,000)	NA	NA	NA	NA	NA	NA	NA	(321,300,000)
Carryover	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
New Budget Authority	NA	NA	NA	7,887,085,431	NA	NA	NA	(14,000,000)	NA	NA	NA	7,873,085,431
Total, Available				7,887,085,431				(14,000,000)				7,873,085,431
Public Housing												
Public Housing	6,310 a	70,410	NA	444,893,024	(25) a	70,410	NA	(1,739,883)	6,285 a	70,410	NA	443,153,141
Indian Housing	1,749 a	74,682	NA	130,608,823	(7) a	74,682	NA	(510,787)	1,742 a	74,682	NA	130,098,036
Amendments	NA	NA	NA	170,094,020	NA	NA	NA	NA	NA	NA	NA	170,094,020
Lease Adjustments	NA	NA	NA	20,411,630	NA	NA	NA	NA	NA	NA	NA	20,411,630
Modernization	NA	NA	NA	1,973,125,087	NA	NA	NA	NA	NA	NA	NA	1,973,125,087
Technical Assist. & Training	NA	NA	NA	2,429,957	NA	NA	NA	NA	NA	NA	NA	2,429,957
Subtotal, Public Housing	8,059 a			2,750,313,206	(32) a			(2,250,670)	8,027 a			2,748,062,686
Section 8 and Other:												
Section 202:												
Section 202-Regular	6,196 a	6,932	20	889,057,524	(24) a	6,932	20	(3,359,652)	6,172 a	6,932	20	885,697,872
Amendments	NA	NA	NA	174,956,097	NA	NA	NA	NA	NA	NA	NA	174,956,097
Section 202-Handicapped	2,065 a	7,625	20	314,983,164	(8) a	7,625	20	(1,231,840)	2,057 a	7,625	20	313,751,324
Amendments	NA	NA	NA	48,999,130	NA	NA	NA	NA	NA	NA	NA	48,999,130
Subtotal, Section 202	8,261 a			1,397,606,723	(32) a			(4,591,492)	8,229 a			1,393,015,231
Vouchers:												
Incremental	23,095 a	5,609	5	606,917,660	(90) a	5,609	5	(2,569,082)	23,005 a	5,609	5	604,348,578
Opt Outs/Prepayments/Relocation	3,645	5,609	5	153,680,186	NA	5,609	5	NA	3,645	5,609	5	153,680,186
Renewals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Subtotal, Vouchers	26,740			760,597,846	(90)			(2,569,082)	26,650			758,028,764
Existing Certificates:												
Incremental	32,076 a	5,952	5	960,979,917	(125) a	5,952	5	(3,758,212)	31,951 a	5,952	5	957,221,705
Opt Outs/Prepayments/Relocation	3,645	5,952	5	109,282,262	NA	5,952	5	NA	3,645	5,952	5	109,282,262
Public Housing Homeownership	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Public Housing Demol./Disp Replacement Certs. (15 yr.)	486	6,307	15	45,977,215	NA	6,307	15	NA	486	6,307	15	45,977,215
Subtotal, Certificates	36,207			1,116,239,394	(125)			(3,758,212)	36,082			1,112,481,182
Loan Management (default servicing)	5,032	4,703	5	139,469,807	(23)	4,703	5	(545,440)	5,009	4,703	5	138,924,367
Property Disposition	3,083	6,694	15	309,620,397	NA	6,694	15	NA	3,083	6,694	15	309,620,397
Section 23 Conversions (5 yr.)	309	3,394	5	6,997,019	NA	3,394	5	NA	309	3,394	5	6,997,019
Moderate Rehabilitation												
Regular	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Homeless (SRO)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Amendments:												
New/Sub. Rehab.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Existing Housing	NA	NA	5	714,174,094	NA	NA	5	NA	NA	NA	5	714,174,094
Project Reserves	NA	NA	7	535,364,985	NA	NA	7	NA	NA	NA	7	535,364,985
Moderate Rehab.	NA	NA	10	65,680,036	NA	NA	10	NA	NA	NA	10	65,680,036
Property Disposition	NA	NA	15	19,439,606	NA	NA	15	NA	NA	NA	15	19,439,606
Subtotal, Amendments	NA			1,334,991,451	NA			NA	NA			1,334,991,451
Subtotal, Section 8	88,512	NA	NA	5,064,643,437	(278)	NA	NA	(11,464,227)	88,234	NA	NA	5,053,179,210
Total, Public Housing and Sec. 8	96,579	NA	NA	7,814,956,723	(302)	NA	NA	(13,714,907)	96,277	NA	NA	7,801,241,817
Nehemiah Grants	NA	NA	NA	24,299,569	NA	NA	NA	(95,031)	NA	NA	NA	24,204,538
Drug Elimination Grants	NA	NA	NA	48,999,130	NA	NA	NA	(190,062)	NA	NA	NA	48,809,068
Total, Annual Contributions	96,579	NA	NA	7,887,085,431	(302)	NA	NA	(14,000,000)	96,277	NA	NA	7,873,085,431
Moderate Rehabilitation Single Room Occupancy a/	(1,994) a	3,670	10	(73,185,093)	NA a	NA	NA	NA	(1,994) a	3,670	10	(73,185,093)
Section 8 Contract Renewals: a/												
Certificates	(19,980)	5,160	5	(509,485,801)	NA	NA	NA	NA	(19,980)	5,160	5	(509,485,801)
Vouchers	(16,369)	5,400	5	(441,952,383)	NA	NA	NA	NA	(16,369)	5,400	5	(441,952,383)
Loan Management	(5,143)	4,705	5	(123,053,326)	NA	NA	NA	NA	(5,143)	4,705	5	(123,053,326)
Subtotal, Renewals	(41,492)			(1,074,491,510)	NA			NA	(41,492)			(1,074,491,510)
Total, All Programs	98,573			9,835,532,000	(302)			(14,000,000)	98,271			9,821,532,000
Incremental Units (X) (Without LMD)	73,493			3,440,858,171	(279)			(13,369,457)	73,214			3,427,488,714
Incremental Units (With LMD)	79,325			3,980,104,987	(302)			(13,714,907)	79,023			3,966,390,081

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
FY 1990 - BUDGETARY RESOURCES

	POST TRANSFER BASE				CARRYOVER & RECAPTURES				POST CARRYOVER/RECAPTURE BASE			
	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority
Recaptures	--	--	--	221,500,000	--	--	--	89,736,000 b/	--	--	--	311,236,000
Rescission of Recaptures	--	--	--	(221,500,000)	--	--	--	(89,736,000)	--	--	--	(311,236,000)
Carryover	--	--	--	--	--	--	--	881,069,732	--	--	--	881,069,732
New Budget Authority	--	--	--	7,873,855,431	--	--	--	--	--	--	--	7,873,855,431
Total, Available				7,873,855,431				881,069,732				8,754,925,163
Public Housing												
Public Housing	6,293 a	79,418	--	443,233,141	-- a	79,418	--	36,312	6,293 a	79,418	--	443,269,453
Indian Housing	1,742 a	74,682	--	130,098,036	80 a	74,682	--	6,001,099	1,822 a	74,682	--	136,099,135
Amendments	--	--	--	178,844,828	--	--	--	254,165	--	--	--	179,098,993
Lease Adjustments	--	--	--	28,411,638	--	--	--	109,136	--	--	--	28,520,774
Modernization	--	--	--	1,973,125,007	--	--	--	210,360	--	--	--	1,973,335,367
Technical Assist. & Training	--	--	--	2,429,987	--	--	--	--	--	--	--	2,429,987
Subtotal, Public Housing	8,035 a			2,748,852,606	80 a			6,631,292	8,115 a			2,754,643,750
Section 8 and Others												
Section 202:												
Section 202-Regular	6,172 a	6,932	20	888,707,872	1,081 a	6,932	20	149,879,355	7,253 a	6,932	20	1,038,587,227
Amendments	--	--	--	174,936,897	--	--	--	43,988,280	--	--	--	218,945,177
Section 202-Handicapped	2,057 a	7,625	20	313,751,324	-- a	7,625	20	7,000	2,057 a	7,625	20	313,758,324
Amendments	--	--	--	40,399,138	--	--	--	--	--	--	--	40,399,138
Subtotal, Section 202	8,229 a			1,398,015,231	1,081 a			193,874,635	9,310 a			1,585,889,866
Vouchers:												
Incremental	23,005 a	5,609	5	684,348,578	67 a	5,609	5	1,901,307	23,072 a	5,609	5	686,249,885
Opt Outs/Prepayments/Relocation	3,645	5,609	5	100,660,186	806	5,609	5	22,919,072	4,451	5,609	5	126,579,258
Renewals	--	--	--	--	--	--	--	1,433,630	--	--	--	1,433,630
Subtotal, Vouchers	26,650			788,008,764	873			26,294,009	27,523			794,302,803
Existing Certificates:												
Incremental	31,951 a	5,992	5	957,221,785	71 a	5,992	5	2,130,571	32,022 a	5,992	5	959,352,375
Opt Outs/Prepayments/Relocation	3,645	5,992	5	109,202,262	--	5,992	5	--	3,645	5,992	5	109,202,262
Public Housing Homeownership	--	--	--	--	--	--	--	--	--	--	--	--
Public Housing Devel./Step Replacement Certs. (15 yr.)	486	6,307	15	45,977,215	57	6,307	15	5,433,420	543	6,307	15	51,410,635
Subtotal, Certificates	36,082			1,112,401,302	128			7,563,991	36,210			1,119,965,173
Loan Management (default servicing)	5,809	4,780	5	138,924,367	1,936	4,780	5	46,302,535	7,745	4,780	5	185,226,902
Property Disposition	3,083	6,694	15	309,620,397	3,040	6,694	15	305,209,840	6,123	6,694	15	614,930,237
Section 23 Conversions (5 yr.)	389	3,394	5	6,597,019	1,146	3,394	5	19,483,000	1,535	3,394	5	26,080,019
Moderate Rehabilitation												
Regular	--	--	--	--	2,114 a	7,598	15	240,717,010	2,114 a	7,598	15	240,717,010
Homeless (SRO)	--	--	--	--	1 a	3,670	10	22,400	1 a	3,670	10	22,400
Amendments:												
New/Sub. Rehab.	--	--	--	--	--	--	--	3,910,220	--	--	--	3,910,220
Existing Housing	--	--	5	714,174,054	--	--	5	8,474,352	--	--	5	722,648,406
Project Reserves	--	--	7	535,368,905	--	--	7	4,463,759	--	--	7	539,832,664
Moderate Rehab.	--	--	10	65,608,836	--	--	10	4,087,024	--	--	10	69,696,660
Property Disposition	--	--	15	19,439,655	--	--	15	14,016,835	--	--	15	33,456,490
Subtotal, Amendments	--			1,334,591,451	--			34,950,990	--			1,369,502,441
Subtotal, Section 8	80,242	--	--	5,088,178,230	10,319	--	--	874,438,540	90,561	--	--	5,927,617,780
Total, Public Housing and Sec. 8	88,277	--	--	7,801,241,017	10,399	--	--	881,069,732	98,676	--	--	8,682,311,549
Nehemiah Grants	--	--	--	24,204,538	--	--	--	--	--	--	--	24,204,538
Drug Elimination Grants	--	--	--	48,409,876	--	--	--	--	--	--	--	48,409,876
Total, Annual Contributions	88,277	--	--	7,873,855,431	10,399	--	--	881,069,732	98,676	--	--	8,754,925,163
Moderate Rehabilitation												
Single Room Occupancy a/	(1,994)a	3,670	10	(73,185,009)	-- a	--	--	--	(1,994)a	3,670	10	(73,185,009)
Section 8 Contract Renewals: a/												
Certificates	(19,980)	5,100	5	(509,485,001)	--	5,100	5	--	(19,980)	5,100	5	(509,485,001)
Vouchers	(16,369)	5,400	5	(441,952,383)	--	5,400	5	--	(16,369)	5,400	5	(441,952,383)
Loan Management	(5,143)	4,785	5	(123,053,326)	--	4,785	5	--	(5,143)	4,785	5	(123,053,326)
Subtotal, Renewals	(41,492)			(1,074,491,510)	--			--	(41,492)			(1,074,491,510)
Total, All Programs	98,271			9,021,532,000	10,399			881,069,732	108,670			9,902,601,732
Incremental Units (8) (Without LM)	73,214			3,427,465,714	3,414			400,715,294	76,628			3,828,181,008
Incremental Units (With LM)	79,023			3,566,390,081	5,350			447,017,829	84,373			4,013,407,910

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
FY 1990 - BUDGETARY RESOURCES

	POST CARRYOVER/RECAPTURE BASE				REPROGRAMMING				PROPOSED 1990 PROGRAM			
	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority	Units	Cost	Term	Budget Authority
Recaptures	--	--	--	311,236,000	--	--	--	--	--	--	--	311,236,000
Rescission of Recaptures	--	--	--	(311,236,000)	--	--	--	--	--	--	--	(311,236,000)
Carryover	--	--	--	881,869,732	--	--	--	--	--	--	--	881,869,732
New Budget Authority	--	--	--	7,873,055,431	--	--	--	--	--	--	--	7,873,055,431
Total, Available				8,754,925,163				--				8,754,925,163
Public Housing												
Public Housing	6,293 *	70,410	--	443,209,653	-- *	--	--	--	6,293 *	70,410	--	443,209,653
Indian Housing	1,822 *	74,652	--	136,099,095	-- *	--	--	--	1,822 *	74,652	--	136,099,095
Amendments	--	--	--	179,090,993	--	--	--	--	--	--	--	179,090,993
Lease Adjustments	--	--	--	20,520,794	--	--	--	--	--	--	--	20,520,794
Modernization	--	--	--	1,973,335,307	--	--	--	--	--	--	--	1,973,335,307
Technical Assist. & Training	--	--	--	2,429,957	--	--	--	--	--	--	--	2,429,957
Subtotal, Public Housing	8,115 *			2,754,693,769	-- *			--	8,115 *			2,754,693,769
Section 8 and Other:												
Section 202:												
Section 202-Regular	7,253 *	6,932	20	1,005,587,227	(1,660)*	6,932	20	(100,000,000)c/	5,593 *	6,932	20	905,587,227
Amendments	--	--	--	210,945,177	--	--	--	100,000,000 c/	--	--	--	310,945,177
Section 202-Handicapped	2,057 *	7,485	20	313,750,324	39 *	7,485	20	--	2,096 *	7,485	20	313,750,324
Amendments	--	--	--	40,399,130	--	--	--	--	--	--	--	40,399,130
Subtotal, Section 202	9,310 *			1,580,089,866	(1,621)*			--	7,689 *			1,580,089,866
Vouchers:												
Incremental	23,072 *	5,609	5	656,249,968	-- *	--	--	--	23,072 *	5,609	5	656,249,968
Opt Outs/Prepayments/Relocation	4,451	5,609	5	126,599,250	--	--	--	--	4,451	5,609	5	126,599,250
Renewals	--	--	--	1,433,630	--	--	--	--	--	--	--	1,433,630
Subtotal, Vouchers	27,523			784,282,853	--			--	27,523			784,282,853
Existing Certificates:												
Incremental	32,022 *	5,952	5	959,352,276	(1,499)*	5,952	5	(44,910,040)d/	30,523 *	5,952	5	914,442,236
Opt Outs/Prepayments/Relocation	3,645	5,952	5	109,202,262	--	--	--	--	3,645	5,952	5	109,202,262
Public Housing Homeownership	--	--	--	--	2,000 *	5,952	5	59,930,409 d/	2,000 *	5,952	5	59,930,409
Public Housing Demol./Disp Replacement Certs. (15 yr.)	543	6,307	15	51,410,635	--	--	--	--	543	6,307	15	51,410,635
Subtotal, Certificates	36,210			1,119,965,173	501 *			15,020,369	36,711			1,134,985,542
Loan Management (default servicing)	7,745	4,783	5	185,226,982	--	--	--	--	7,745	4,783	5	185,226,982
Property Disposition	6,123	6,694	15	614,910,237	--	--	--	--	6,123	6,694	15	614,910,237
Section 23 Conversions (5 yr.)	1,535	3,394	5	26,050,869	(885)	3,394	5	(15,020,369)d/	650	3,394	5	11,030,500
Moderate Rehabilitation												
Regular	2,114 *	7,593	15	240,717,818	--	--	--	--	2,114 *	7,593	15	240,717,818
Homeless (SRO)	1 *	3,670	10	22,400	--	--	--	--	1 *	3,670	10	22,400
Amendments:												
New/Sub. Rehab	--	--	--	3,910,220	--	--	--	--	--	--	--	3,910,220
Existing Housing	--	--	5	722,640,486	--	--	--	--	--	--	5	722,640,486
Project Reserves	--	--	7	539,032,664	--	--	--	--	--	--	7	539,032,664
Moderate Rehab.	--	--	10	69,696,660	--	--	--	--	--	--	10	69,696,660
Property Disposition	--	--	15	33,456,490	--	--	--	--	--	--	15	33,456,490
Subtotal, Amendments	--			1,369,352,491	--			--	--			1,369,352,491
Subtotal, Section 8	90,561	--	--	5,927,617,780	(2,005)	--	--	--	88,556	--	--	5,927,617,780
Total, Public Housing and Sec. 8	98,676	--	--	8,682,311,549	(2,005)	--	--	--	96,671	--	--	8,682,311,549
Nehemiah Grants	--	--	--	24,204,538	--	--	--	--	--	--	--	24,204,538
Drug Elimination Grants	--	--	--	48,409,076	--	--	--	--	--	--	--	48,409,076
Total, Annual Contributions	98,676	--	--	8,754,925,163	(2,005)	--	--	--	96,671	--	--	8,754,925,163 e/
Moderate Rehabilitation												
Single Room Occupancy a/	(1,994)*	3,670	10	(73,105,090)	-- *	--	--	--	(1,994)*	3,670	10	(73,105,090)
Section 8 Contract Renewals: a/												
Certificates	(19,980)	5,100	5	(509,485,001)	--	--	--	--	(19,980)	5,100	5	(509,485,001)
Vouchers	(16,369)	5,400	5	(441,952,383)	--	--	--	--	(16,369)	5,400	5	(441,952,383)
Loan Management	(5,143)	4,788	5	(123,083,325)	--	--	--	--	(5,143)	4,788	5	(123,083,325)
Subtotal, Renewals	(41,492)			(1,074,491,510)	--			--	(41,492)			(1,074,491,510)
Total, All Programs	100,670			9,902,601,732	(2,005)			--	98,665			9,902,601,732
Incremental Units (X) (Without LID)	76,620			3,830,181,008	(1,120)			(84,979,631)	75,500			3,745,201,377
Incremental Units (With LID)	84,373			4,013,407,910	(1,120)			(84,979,631)	83,253			3,928,428,279

a/ Included in separate appropriation for fiscal year 1990.
b/ Reflects reestimate of Section 8 recaptures based on more current data.
c/ Reflects reprogramming of Section 202 carryover into amendments to allow for increases in fair market rents for Section 202 pipeline projects.
d/ Reflects reprogramming in support of Public Housing Homeownership.
e/ Total includes funding for Nehemiah Housing Opportunity program although funds transferred to the Nehemiah account.

E. Recommendations, Directives and Reporting Requirements:

Following is a discussion of the recommendations, directives and reporting requirements contained in the House, Senate and Conference Reports on the 1990 VA-HUD-Independent Agencies Appropriations Bill as they relate to the Annual Contributions program.

1. Conference Committee Report [pp. 13-14.] — 1990 Program. The Department and the Office of Management and Budget are expected to adhere to the 1990 program as detailed in the Gross Reservation table. If any changes are necessary to the program contained in the table, the Department is expected to use the regular reprogramming procedures. The Department is fully cognizant of and respects the Committees' concern in this matter. An Operating Plan was sent to the Committees as requested. The Plan outlines several 1990 reprogramming proposals. As of the date of publication of these justifications, the Operating Plan had not yet been approved. Further reprogrammings--if needed--will continue to be requested in accordance with the procedures set forth by Congress.

2. House Committee Report [p. 18.] — Combining Vouchers and Certificates. The Committee has urged the Department to implement any changes, either by legislative proposals or by administrative regulation, that result from the combining of the voucher and certificate programs. The Offices of Housing and General Counsel will be working on a comprehensive rewrite of the certificate program regulations with conforming changes to the housing voucher program regulations, once the Abt study of the program is complete. Many of the programs' differences do not require legislative remedy; therefore, regulations could be modified to begin the conforming of both programs by eliminating all of the differences that are not of a statutory nature.

3. House Committee Report [p. 19.] — Section 8 Allocation. The Department is directed to ensure that special consideration is given to economically distressed areas in allocating the Section 8 units. The Notice of Fund Availability for 1990 housing vouchers and certificates will include a provision whereby PHAs located in economically distressed areas will receive additional points when applications are rated and ranked for approval.

4. Senate Committee Report [pp. 33-34.] — Loan Management Set-asides. The Department is to submit a report by March 31, 1990 addressing the Inspector General's recommendations concerning the lack of guidelines for administering this program which allowed funding decisions that were not well documented and incorrect. All of the Inspector General's recommendations were implemented by the Department by July 7, 1989 and all audit findings were closed. A report on HUD's actions will be placed in Departmental clearance the beginning of March. No delays are anticipated in meeting the March 31, 1990 submission to Congress.

5. Senate Committee Report [p. 33.] — Section 236/Section 221(d)(3) Prepayments. The Department is urged to present a plan in implementing the HCD Act of 1987 along with a request for a supplemental appropriation as soon as possible. The Low Emergency Income Housing Preservation Act of 1987 (Title II of the HCD Act of 1987), was extended until September 30, 1990 by the HUD Reform Act of 1989. The Homeownership and Opportunity for People Everywhere (HOPE) initiative includes funding to support efforts to offer homeownership opportunities to resident groups in multifamily projects where owners elect to prepay. The funds could also be used to continue projects as restricted rental property and for relocation purposes.

6. Senate Committee Report [p. 35-36.] — Amendments. Since the Committee is concerned about the growing need to use amendment money to sustain units in the assisted housing stock, the Department is to provide a report to the Committee by March 17, 1990 on this matter. An independent contractor has been assigned to review the amendment situation along with other Section 8 issues. A preliminary report from the contractor should be ready by early summer.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The differences between 1989 estimates included in the 1990 Budget and actual activity during fiscal year 1989 are as follows:

a. Gross Reservations. The 1989 Appropriations Act (P.L. 100-404) appropriated $7,518.8 million of new authority (not including amounts provided for the Nehemiah Grants program) in support of an estimated 97,445 subsidized housing units. The 1989 estimates in the 1990 Budget were based on an approved Operating Plan which—in addition to the new authority provided—reflected the use of $327.8 of carryover from 1988 balances and an estimated recapture of $4.5 million. The $7,851.1 million would support 100,857 unit reservations. Actual 1989 activity resulted in the reservation $6,960.6 million of budget authority, representing 90,127 unit reservations under the Section 8, Section 202(h), and Public and Indian Housing programs. Since all of the funding available for 1989 was not used, $881.1 million carried over for use in 1990.

Most of the unreserved balance was concentrated in three program areas: Section 8/202 assistance for the elderly, Moderate Rehabilitation, and Property Disposition.

Approximately $150 million of the carryover can be attributed to what happened in 1988 and the amount of construction loan authority available for 1989 under the Section 202 Loan Fund. The 1989 Appropriations Act included Section 8 rental subsidy funds and Section 202 loan limitation in support of 7,125 units for the elderly. However, at the end of 1988, $108 million of Section 8 subsidy funding remained unreserved and were available for use in 1989. The Department had enough Section 202 loan authority to fund construction of the 7,125 units provided for in the Act for 1989, but not enough for the rental subsidy carryover. In short, the Department had more rental subsidy money for new reservations than corresponding loan authority. The result was another large carryover at the end of 1989. A small shortfall in the actual number of units reserved also contributed to the carryover. It was expected that 7,125 units for the elderly would be reserved in 1989 but a total of 6,717 units were reserved.

The 1990 Operating Plan proposes use of a portion of this Section 8/202 carryover to help fund amendments for projects currently stalled in the processing pipeline due to insufficient funding. Under certain circumstances, some pipeline projects will be processed using the latest Fair Market Rents.

The Moderate Rehabilitation situation has been well documented. Program abuses led the Secretary to recall all outstanding reservation funding--not yet obligated--pending a reform of program procedures. As a result, very little of the 1989 funds were reserved--only $62 million out of the $323.9 million available for the year. This program alone accounted for $240.7 million of the $881.1 carryover in 1990. Program activity for the year is outlined below:

	($ in Millions)
Amount appropriated for Moderate Rehabilitation in 1989.....	$323.5
Plus unreserved carryover from 1988..........................	0.4
Net total available for Moderate Rehabilitation in 1989...	323.9
Transfer to Operating Subsidies..............................	-88.0
Amount reserved/committed during year........................	-62.1
Balance of unreser. 1989 funds carrying over into 1990....	173.8
Balances of "uncommitted" 1988 funds recaptured in 1989.....	113.9
Amount rescinded pursuant to Supplemental Appr. Act.......	-47.0
Net carryover into 1990......................................	240.7

Approximately $119 million of the $424 million available for Property Disposition activities was reserved in 1989. Processing problems arising from recently enacted preservation legislation--especially the 1988 McKinney Amendments--caused some delay in the marketing of HUD-owned projects during the year. It was projected that 4,353 units would receive such assistance during the year. The actual total was 1,356 unit reservations.

Virtually all of the funding available for 1989 for Public and Indian Housing programs--including both development and modernization activities--was reserved during the year.

The following table outlines the development program level for 1989 in the Conference Report to the 1989 Appropriations Act, as reflected in the approved Operating Plan, and actual 1989 activity:

Annual Contributions for Assisted Housing

	1989 Activity					
	1989 a/ Appropriations		Operating Plan 1990 Budget		1989 Actual	
PROGRAM	Units	Budget Authority	Units	Budget Authority	Units	Budget Authority
			(Dollars in Thousands)			
Section 8:						
New/Sub Rehab.	9,500	$1,470,079	10,296	$1,386,009	9,173	$1,392,134
Vouchers	48,500	1,354,938	48,536	1,355,932	47,286	1,329,678
Moderate Rehabilitation	4,212	368,474	4,216	368,905	1,896	107,088
Existing	18,333	572,060	18,339	572,665	19,001	565,101
Loan Management	7,500	145,463	7,533	147,387	4,391	101,085
Property Disposition	3,157	307,430	4,353	423,967	1,356	118,677
Conversions	NA	NA	637	31,283	300	15,081
Amendments	NA	1,161,539	NA	1,173,657	NA	1,138,696
Subtotal, Section 8	91,202	5,379,982	93,910	5,659,805	83,403	4,767,541
Public Housing:						
Public Housing	5,000	343,347	5,551	381,202	5,246	381,145
Indian	1,243	89,351	1,396	100,299	1,478	102,699
Modernization	NA	1,646,948	NA	1,648,930	NA	1,648,720
Amendments and Lease Adjustments	NA	59,137	NA	60,831	NA	60,467
Subtotal, Public Housing	6,243	2,138,783	6,947	2,191,261	6,724	2,193,031
Total, All Programs	97,445	7,518,765	100,857	7,851,066	90,127	6,960,572

a/ Excludes carryover.

NOTE: Detail may not add to totals because of rounding.

b. Starts. Total Section 8 and Public Housing new construction and substantial rehabilitation starts were estimated at 20,688 units for 1989 in the 1990 Budget. This total included 13,000 Section 8 starts, 5,000 Public Housing starts, and 2,688 Indian Housing starts. Actual 1989 starts activity amounted to 14,018 units including 7,989 Section 8 new and substantial rehabilitation units, 3,362 Public Housing, and 2,667 Indian Housing starts. Most of the shortfall occurred in Section 8--more specifically Section 8/202 portion of the program. Some Section 202 projects were experiencing funding difficulties and the pipeline did not move to construction start as rapidly as anticipated. In order to address this problem, the Department is attempting to shift reservation funding to contract amendments.

c. Completions. Total completions, including Section 8, Public and Indian Housing were estimated at 92,696 units for 1989. Actual completions totaled 101,637 units. Completions under the Public and Indian programs were 1,458 units below the level estimated for 1989. The reasons for the shortfall are discussed in those justifications pertaining to the Public and Indian Housing programs.

Section 8 completions were estimated at 86,000 units for 1989. However, actual completions were 96,399 units. As was the case for starts, Section 8/202 activity lagged as a result of pipeline problems. New construction completions were 8,761, compared with an estimate of 15,000 units. The bulk of the increase can be traced to vouchers. There were 44,200 vouchers put under lease during the year--15,700 units more than the 28,500 estimated in last year's budget. Local HUD office efforts at increasing the rate of voucher lease up proved more successful than the 1990 budget anticipated.

d. Recaptures. The following table provides the estimates of recaptures in the 1990 Budget for fiscal year 1989 and the actual 1989 recaptures. Pursuant to provisions in the HUD-Independent Agencies Appropriations Act of 1989, all Section 8 and Public Housing recaptures were to be rescinded. Recaptures from Indian Housing development and modernization activities were allowed to be reused. Under a provision of the Dire Emergency Supplemental Act (P.L. 101-45) moderate rehabilitation recaptures in excess of $47 million were also allowed to be re-used.

ESTIMATED VS. ACTUAL 1989 RECAPTURES

SOURCE	1990 Budget		1989 Actual	
	Units	Budget Authority	Units	Budget Authority
	(Dollars in Thousands)			
Public Housing a/.........	660	$126,300	863	$163,033
Section 8:				
New/Substantial Rehab...	1,000	128,700	981	148,576
Moderate Rehab..........	500	47,000	1,613	129,996
Existing................	1,500	16,000	2,631	65,689
Subtotal, Section 8....	3,000	191,700	5,225	344,262
Total Public Housing and Section 8.........	3,660	318,000	6,369	507,295

a/ Does not include Public Housing forgiveness of debt. An additional $2.2 billion of budget authority was recaptured and rescinded in 1989 pursuant to P.L. 99-272.

For the Section 8 program the largest differences between estimated recaptures and actuals are noted for Moderate Rehabilitation and Existing housing.

The estimates for Moderate Rehabilitation were based on the number of units recaptured in 1988. However, 1989 actuals were much higher due to the Department's decision to cancel funding for projects which had not gone to contract and the resulting recapture of such funding. This was explained more fully under the discussion of gross reservations earlier.

Actual Existing housing recaptures reflected a higher number of loan management, property disposition, Section 23 and Rent Supplement/RAP conversion units than estimated. The estimates were based on previous trends rather than just 1988 actuals due to a high level of fluctuation in 1988 from prior year activity. Except for Section 23 conversions, the 1989 level was very similar to the number and type of 1988 existing units recaptured.

The estimate of units for the new construction/substantial rehabilitation recaptures was very close to the actual number. However, the per unit costs ended up being higher than estimated, resulting in almost a $20 million difference.

Actual recaptures under the Public and Indian Housing programs were higher than estimated for 1989--$163 million as compared with the estimate of $126.3 million. This resulted from the fact that more pipeline projects (and units) were cancelled than expected. The 1989 estimate in the 1990 Budget was based on the recent trend in Public/Indian Housing deobligations. In 1987, 2,465 units were canceled; in 1988, the number of unit cancellations dropped to 1,239. It was assumed that the number of cancellations would continue to fall--to 660 units by 1989. Cancellations did decrease significantly in 1989 (to 863 units) but not quite to the level anticipated.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget was based on a request for $6,592.6 million of new budget authority in support of 124,333 units. Included in the total number were 109,000 incremental units--virtually all of which (100,000) were to be vouchers. This emphasis on vouchers was an attempt to provide as many units as possible, while continuing to exhibit fiscal restraint.

The 1990 Appropriations Act (after adjustments for reduction, sequestration, and transfer) provided a net total of $7.8 billion. Funding for contract renewals and moderate rehabilitation SRO units was provided separately. The net amounts provided for Section 8, Section 202(h) and Public and Indian Housing would fund 88,277 units, including 79,023 incremental units (including loan management). If loan management is not counted, incremental units totalled 73,214.

The program funded for 1990 differed substantially from the 1990 Budget request in that greater emphasis was placed on a "mixed" approach to program set-asides. There were fewer vouchers and more certificates. In addition, the 1990 Appropriations Act made provision for 8,035 Public and Indian Housing units. The Budget, on the other hand, reflected no Public/Indian Housing development in 1990. The amounts appropriated for 1990 also include funding needed to implement a provision in the appropriation language amending the manner in which Public Housing development costs are to be determined. In addition, the number of units for the elderly and handicapped funded was 8,229--compared with 7,000 units in the Budget.

The current 1990 estimates also reflect use of available carryover as well as changes proposed at part of the 1990 Operating Plan discussed in detail earlier. The following table compares several measures of program activities at various stages of the 1990 Subsidized Housing program.

	FISCAL YEAR 1990 ESTIMATES		
	IN 1990 BUDGET a/	1990 APPROPRIATION WITH CARRYOVER	IN 1991 BUDGET
		(Dollars in Thousands)	
Reservations (units)			
Section 8.............	14,183	65,032	63,027
Housing Vouchers......	110,150	27,523	27,523
Public Housing........	...	6,293	6,293
Indian Housing........	...	1,822	1,822
Total................	124,333	100,670	98,665
Starts (units)			
Section 8.............	13,000	NA	15,500
Public Housing........	5,500	NA	5,000
Indian Housing........	2,109	NA	2,305
Total................	20,609	NA	22,805
Completions (units)			
Section 8.............	54,000	NA	63,655
Vouchers..............	46,500	NA	44,000
Public Housing........	7,300	NA	4,200
Indian Housing........	1,892	NA	2,471
Total................	109,692	NA	114,326
Use of Budget Authority			
Section 8:			
Section 202..........	$1,242,060	$1,586,890	$1,586,890
Housing Vouchers.....	3,771,789	784,283	784,283
Existing.............	31,503	1,119,965	1,134,986
Moderate Rehab.	50,000	240,739	240,739
Amendments...........	1,264,760	1,369,552	1,369,552
Other................	171,646	826,189 b/	811,168
Subtotal............	6,531,758	5,927,618 a/	5,927,618
Public Housing:			
Public Housing.......	...	443,210	443,210
Indian Housing.......	...	136,099	136,099
Modernization........	[1,000,000]	1,975,765 c/	1,975,765 c/
Lease Adjustments....	21,000	20,521	20,521
Amendments...........	39,837	179,099	179,099
Total................	60,837	2,754,694	2,754,694
Drug Elimination.....	...	48,409	48,409
Nehemiah Grants......	...	24,205	24,205
Total................	6,592,594	8,754,925	8,754,925

a/ Represents estimates included in the amended Budget submitted in April 1989.

b/ Excludes amounts provided in separate appropriations for renewal of expiring Section 8 contracts and single room occupancy.

c/ Includes amounts provided separately for technical assistance and training.

Starts are expected to increase slightly to 22,805 units--2,196 units more than the 1990 Budget estimate. However, completions are expected to be considerably higher than the 1990 Budget estimate--114,326 compared with the earlier estimate of 109,692 units. Based on an analysis of the 1989 activity and current pipeline, voucher lease-ups are expected to continue at approximately the pace shown in 1989. There were 44,200 units leased in 1989 and it estimated that 44,000 will be leased during 1990.

EXPLANATION OF INCREASES AND DECREASES

1. Reservations. Total reservations under the subsidized housing programs are projected to increase from the 98,665 units proposed for 1990 in the Operating Plan to 99,399 units in 1991 for the Voucher, Section 8 and Section 202(h) handicapped subsidy programs plus 6,600 under the Rental Housing Assistance for the Homeless program for a total of 105,999. Incremental activity is proposed at the 82,049 level for 1991--including 6,600 units for the homeless to be provided under the Rental Housing Assistance for the Homeless program. Specifics dealing with the various set-asides proposed for 1991 were addressed in the opening section of this justification.

2. Budget Authority. The following table summarizes the estimated changes in program activity from 1990 to 1991 which account for the increase in use of budget authority. A substantial part of the increase is due to the inclusion of contract renewals in the Annual Contributions account in 1991 and new program initiatives.

1990-1991--INCREASE IN USE OF BUDGET AUTHORITY
(Dollars in Thousands)

Gross use of authority in 1990	$8,754,925
Less Nehemiah and Drug Elimination Grants	(72,614)
Net use of authority for Public Housing and Section 8	8,682,312
Public Housing:	
Increases:	
Lease Adjustments	4,579
Decreases:	
Amendments	(122,099)
Modernization a/	(1,973,335)
Technical Assistance a/	(2,430)
New Construction/Major Reconstruction	(443,209)
Indian Housing	(136,099)
Subtotal, Public Housing	(2,672,593)
Section 8:	
Increases:	
New Program Initiatives:	
Leased Housing proposal (elderly and handicapped)	71,670
Homeownership Initiatives:	
Prepayment	411,741
Urban Homesteading	329,390
HOPE Proposals	261,126
Unit level increases	551,911
Per unit costs	116,215
Amendments	311,346
Funding of Contract Renewals under Annual	7,733,551
Funding of Moderate Rehab. SRO under Annual	49,549
Decreases:	
Moderate Rehabilitation (Regular)	(240,717)
Unit Level Decreases	(2,169,739)
Per unit costs	(9,429)
Subtotal, Section 8	7,416,611
Subtotal, Public Housing and Section 8	4,744,018
Gross use of authority in 1991	$13,426,329

NOTE: Detail may not add due to rounding.

a/ The Public Housing Modernization and Technical Assistance program is being proposed as a separate appropriation.

3. Recaptures. Recaptures (deobligations) of contract authority and budget authority in 1990 include regular pipeline deobligations and those deobligations anticipated as a result of Public Housing debt forgiveness. The impact of debt forgiveness is discussed more fully in the Low-Income Public Housing Loans and Other Expenses section of this justification. A total of 58,102 units remain in the Section 8 New construction and Substantial Rehabilitation processing pipeline at the end of

fiscal year 1989. This includes 37,123 units in the pre-construction (reserved not started) pipeline and 20,979 units in the construction (started not completed) pipeline. Another 36,661 units remain in the Public/Indian Housing pipeline including 26,387 units in the pre-construction pipeline and 10,274 units in the construction pipeline. The Department will continue to monitor the progress of these units.

Pipeline Recaptures. The Budget assumes pipeline recaptures (deobligations) of $311.2 million in 1990 and an additional $236.4 million in 1991. These deobligations represent prior year Public Housing and Section 8 approvals which subsequently do not prove feasible.

The recapture activity for both 1990 and 1991 follows:

SOURCE	1990 UNITS	1990 BUDGET AUTHORITY	1991 UNITS	1991 BUDGET AUTHORITY
		(Dollars in Thousands)		
Public and Indian Housing........	763	$111,236	665	$46,375
Section 8:				
New/Substantial Rehabilitation.	2,000	174,536	2,000	172,869
Moderate Rehabilitation........	500	12,419	350	7,054
Existing........................	500	13,045	350	10,077
Subtotal, Section 8..........	3,000	200,000	2,700	190,000
Total Deobligations........	3,763	311,236	3,363	236,375

NOTE: Excludes deobligations under the Section 17 rehabilitation/development programs and deobligations resulting from debt forgiveness.

a. Section 8 Pipeline. Recaptures of $200 million of budget authority in 1990 and $ 190 million of budget authority in 1991 are estimated for Section 8. Recaptures are estimated to involve Section 8 new construction and substantial rehabilitation projects in the amount of $174.5 million in 1990 and $172.9 million of budget authority in 1991. These amounts reflect an estimated 2,000 units in 1990 and 2,000 units in 1991 which are expected to be deobligated. Another 500 units are expected to be deobligated from the Moderate Rehabilitation pipeline, resulting in the recapture of $12.4 million in 1990. In 1991, 350 Moderate Rehabilitation units are expected to be deobligated for $7.1 million. Under the Section 8 existing program, an estimated $13.0 million in 1990 and $10.1 million in 1991 is expected to be recaptured.

b. Public and Indian Housing Pipeline. For the Public Housing pipeline, it is estimated that 763 Public and Indian units in the Public Housing pipeline will drop out in 1990 followed by another 665 units in 1991. Public and Indian Housing recaptures are expected to total $111.2 million and $46.4 million, respectively. Deobligations are expected to decrease as the pipeline of unstarted units decreases.

Pursuant to the 1990 Appropriations Act (P.L. 101-202), amounts recaptured during fiscal year 1990 under Public and Indian Housing and Section 8 are to be rescinded, except for one-half of funds recaptured from refinancing State Housing Finance Agency projects pursuant to Section 1012 of the Stewart B. McKinney Homeless Assistance Amendment Act of 1988 (P.L. 100-628). It is proposed for 1991 that all recaptured authority again be rescinded--from both Section 8 and Public/Indian Housing programs--except for up to one-half of the funds recaptured from refinancing State Housing Finance Agency projects.

4. Construction Starts. Section 8 construction starts are estimated at 15,500 and 12,500 units for 1990 and 1991, respectively. As a result of these starts and the level of new reservations, the Section 8 pipeline of reserved but unstarted units is expected to decrease from 37,123 units at the end of 1989 to 16,779 units by the end of 1991.

5. Construction Completions. Completions, including existing housing units made available for occupancy in the Section 8 program, are expected to increase by 16,320 units from 107,655 units in 1990 to 123,975 units in 1991. The total of 123,975 units in 1991 includes an estimated 44,500 Housing Voucher units under lease.

6. Average Unit Cost Estimates. Average unit costs for the various programs are discussed below for the period 1989-1991. The following table presents a comparison between actual costs and the various estimates which have been made, by program and construction type.

COMPARISON OF AVERAGE UNIT COSTS FOR 1989-1991

DEVELOPMENT METHOD	1989 COSTS IN 1990 BUDGET	1989 COSTS ACTUAL	1990 COST ESTIMATES IN 1990 BUDGET	1990 COST ESTIMATES IN 1991 BUDGET a/	1991 COST ESTIMATES IN 1991 BUDGET
PUBLIC HOUSING					
New Construction/Sub Rehab	$68,669	$63,399	NA	70,418	NA
Indian Housing..............	71,851	69,485	NA	74,652	NA
SECTION 8					
New Construction/Sub Rehab					
Section 202..................	6,804	6,908	6,932	6,932	7,391
Section 202 Handicapped.....	7,484	7,327	7,625	7,485	8,009
Existing Housing:					
Regular Rental............	6,022	5,760	NA	5,992	6,189
15-year Certificates......	NA	6,962	6,307	6,307	6,515
Vouchers: b/					
Incremental b/............	5,429	5,461	5,645	5,689	5,831
Public Housing-Demo/ Disposition..............	NA	NA	5,645	NA	NA
5-Year Opt-Outs...........	5,429	5,915	5,645	5,689	5,825
Loan Management..............	3,879	3,788	4,266	4,783	4,406
Property Disposition........	6,493	5,835	6,694	6,694	NA
Moderate Rehabilitation:					
Regular....................	7,329	5,991	NA	7,593	NA
Homeless (SRO-HOPE)........	3,545	3,734	3,678	3,678	3,799
Conversions.................	3,276	3,351	3,394	3,394	3,506
New Program Initiatives					
HOPE					
Vouchers:					
Public Housing Homeownership	NA	NA	NA	NA	5,825
Public Housing Transitional	NA	NA	NA	NA	5,825
Elderly Independence Demo...	NA	NA	NA	NA	4,540
Sec. 202-Homeless Set-Aside	NA	NA	NA	NA	7,167
Other:					
Leased Elderly/Handicapped..	NA	NA	NA	NA	7,167

a/ Reflects costs in the Conference Report to the 1990 Appropriations Act (P.L. 101-202).
b/ Includes PHA fee to administer the program.

1989 Average Unit Costs. For the Section 202 elderly program, the estimated average new construction and substantial rehabilitation per unit costs of $6,804 increased to $6,908, largely the result of higher costs but also variances based on the location of reserved projects. The Section 202 costs for the handicapped decreased from an estimated $7,484 to $7,327. Fiscal year 1989 was the first year of the program and there was no prior year data from which to base an estimate. Therefore, the 1989 estimate was slightly overstated. Increased per unit costs were noted for Voucher opt-outs program which reflect locational factors--the fact that the payment standards for the localities in which Voucher reservations were approved in 1989 were higher than the national average upon which the estimates had been based. Actual incremental voucher per unit costs of $5,461 were close to the estimated amount of $5,429. Moderate Rehabilitation (SRO) costs were higher than 1989 estimates increasing from $3,545 to $3,734 as were Section 23 conversions to the Section 8 program, ($3,276 estimated versus $3,351 actual). As was the case for many of the other set-asides, the estimates were derived in terms of a national "average." An average unit size was assumed and, based on prior year activity and the Administration's economic projections, an average rent was developed. Actual activity varies from these estimates to the extent unit reservations concentrate in high or low cost areas, unit size differs substantially from the 2-bedroom average assumed for most set-asides or local economic factors differ from those projected.

Annual Contributions for Assisted Housing

Decreases were noted for Loan Management from $3,879 to $3,788 per unit and Property Disposition from an estimate of $6,493 to $5,835. The Property Disposition per unit cost decrease can be attributed to a reduction in the proportion of HUD-owned projects sold that required moderate rehabilitation.

The Moderate Rehabilitation (Regular) program also experienced a significant decrease in per unit costs from the estimated amount. The decrease from an estimated $7,329 to $5,991 per unit was largely the result of limited reservation activity, 691 units, due to the cancellation in April 1989 of funding selection for which PHAs had not executed annual contributions contracts (ACC's). The 691 units under ACC are not representative of average costs nationwide.

It was estimated that Public Housing construction costs would average $68,669 per unit in 1989. However, actual costs averaged only $63,399. The estimate was based on much the same factors used for Section 8 cost estimates--prior year activity, assumptions regarding unit size and distribution, economic projections, etc. It is impossible to pinpoint which of these elements was responsible for the shortfall in 1989 costs. Reservations may have been concentrated in lower cost areas or represented more modest types of units .

1990 Average Unit Costs. The per unit costs for 1990 are the per unit costs included in the Conference Report to the 1990 VA-HUD-Independent Agencies Appropriation Act (P.L. 101-202). The 1991 Budget estimates reflect changes to 1990 estimates based on actual 1989 activity, adjusted for inflation and trended.

1991 Average Unit Costs. Per unit cost estimates for fiscal year 1991 are based on the actual cost of units approved in 1989 and adjusted based on rate-of-inflation estimates and trended.

PROGRAM DESCRIPTION

1. SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

The Section 8 program was authorized by the United States Housing Act of 1937, as amended, and since 1975, has been the major HUD program for providing Federally assisted rental housing for a variety of types of housing. One feature of the program has been the ability to use a variety of financing mechanisms to assist the development of newly constructed or rehabilitated projects. Pursuant to the Housing and Urban-Rural Recovery Act, 1983 (P.L. 98-181) Section 8 New Construction and Substantial Rehabilitation authority was repealed except authority for use in conjunction with the Section 202 Housing for the Elderly or Handicapped program.

Under Section 8, the subsidy provided is designed to cover the full cost of housing, both debt-service and operating expenses. The program can make use of existing housing or provide subsidies to tenants in newly constructed or rehabilitated Section 202 projects.

a. Section 8 Housing Voucher. A Housing Voucher Demonstration program was authorized under the Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181). The Housing and Community Development (HCD) Act of 1987 (P.L. 100-242) authorized a permanent Voucher program.

The Section 8 Voucher program is based on the following program considerations:

(1) Payment Standard. Under the Housing Voucher program, there are no maximum rent ceilings like those established under the Certificate program where a rent ceiling is based on the HUD determined Fair Market Rent. The FMRs limit the opportunities families have to choose their housing and neighborhoods. Families holding a Housing Voucher are able to choose any existing unit meeting quality standards at any rent level.

The Payment Standard is initially equal to the 45th percentile of rents of standard quality units including recent-movers but excluding public housing units and units built in the previous 2 years. A family is permitted to rent above the Payment Standard, but does not receive additional subsidy. Similarly, families may rent below the Payment Standard and would be able to keep any savings they might realize by negotiating low rents.

(2) Subsidy Increases. PHAs are currently allowed to make adjustments annually, where necessary, pursuant to HCD Act of 1987.

(3) Tenant Eligibility. Initial eligibility for the Section 8 Housing Voucher program is limited to families with incomes at or below 50 percent of area median family income. However,

families would continue to receive assistance as income increased until the subsidy was reduced to zero or the end of the Annual Contributions Contract, whichever occurs first. Families previously assisted under Section 8 or in Public Housing scheduled for demolition (notwithstanding certain provisions of the HCD Act of 1987) or in certain other programs would qualify for assistance even though income is above 50 percent of area median income. This is based on the family's previous qualification for these programs. Tenants displaced from a project where the owner has prepaid the mortgage may also be eligible for assistance under the program.

Preference is given to families which, at the time they are seeking assistance, occupy substandard housing, are involuntarily displaced, or are paying more than 30 percent of family income for rent. As a result of the HCD Act of 1987, vouchers will be made available to families living in Rental Rehabilitation projects who are required to move due to physical rehabilitation or overcrowding. Pursuant to the 1990 Appropriations Act, vouchers are made available to families who are or would be displaced as a consequence of rents exceeding 35 percent of adjusted income in connection with rental rehabilitation activities. In accordance with the HCD Act of 1987, Public Housing authorities will have the discretion to provide vouchers to families who would have to pay more than 30 percent of their adjusted income for rent after rehabilitation whether they choose to remain in, or move from, the project.

(4) Minimum Rents. For a small number of families, it is possible that the subsidy under the Housing Voucher program (difference between the Payment Standard and 30 percent of adjusted gross income) could exceed the rent on the unit to be chosen by the family. To avoid the possibility of providing more subsidy than rent and to assure that families contribute a portion of their income toward rent, all households are required to pay at least 10 percent of their gross income for rent.

(5) Portability of Vouchers. The HCD Act of 1987 contained a portability provision for both the certificate and voucher programs which allows a family receiving assistance under either of the programs to move within the same jurisdiction or a contiguous metropolitan statistical area.

(6) Tenant Subsidy. In general, the subsidy the new tenant receives is the difference between a determined Payment Standard and 30 percent of adjusted household income.

(7) Program Administration. The Section 8 Voucher program is administered by PHAs currently administering the Section 8 Existing Housing program. PHAs are reimbursed for initial screening of tenants, for ongoing oversight activities and for conducting an initial inspection of units to determine if they meet minimum quality standards. Thereafter, for a household to remain in the program, its unit must pass an annual inspection by the PHA. The standards are those used in the Section 8 Existing Housing program. Preference will be given to applications from PHAs that demonstrate locally initiated (non-Federal) efforts in support of their tenant-based housing subsidy programs.

(8) Administrative Fees. Fees are paid to PHAs as compensation for administering the Section 8 voucher and certificate programs. In 1988, the fee for vouchers was set at 6.5 percent of the Section 8 Existing Fair Market Rent for a two-bedroom unit and 7.65 percent for certificates. Fee costs funded in the 1990 Appropriation Act were based on 8.2 percent for incremental units--for both vouchers and certificates. It is being proposed in the Budget that fees be equated for vouchers and certificates--at a rate of 7.65 percent for both, starting in 1991.

Since the Certificate program began in 1975, HUD has reimbursed PHAs using a two-part fee system. Each time an incremental allocation of units is made to a PHA, HUD reimburses the PHA for a portion of their initial start-up costs, also known as preliminary expenses. Most of the reimbursements received by the PHA, however, are paid under the ongoing fee, which is based on a percentage of the two-bedroom Fair Market Rent (FMR) used for calculating assistance payments for participating families.

For the first ten years of the Certificate program, the administrative fees paid to PHAs were based on a preliminary fee of $275 and an ongoing fee of 8.5 percent of the FMR. In March 1985, HUD reduced the fees to $250 for the preliminary fee and 7.65 percent of FMR as the ongoing fee. Also in March 1985, the first fee schedule for Vouchers was announced, using $215 for preliminary fees and 6.5 percent for ongoing fees. (At the time, it was thought that administrative costs for vouchers would be less than for certificates, but recent research has indicated that the costs are essentially the same).

The HCD Act of 1987 required HUD to raise fees for both the Certificate and Voucher programs to $275 for preliminary expense and to 8.2 percent of FMR for ongoing expense. However, no funds were appropriated for the additional fee expense in FY 1988, and the system of reimbursements remained unchanged. For FY 1989 and 1990, additional funds were appropriated for the higher fees, but only for incremental units, (i.e., not for the almost 1 million units already under contract). Thus, there are essentially three fee systems operating at the present time, with ongoing fee reimbursements based on: 6.5 percent of FMR for non-incremental vouchers, 7.65 percent for non-incremental certificates, and 8.2 percent for incremental units, whether certificates or vouchers.

Recent research on the Certificate and Housing Voucher programs has indicated that large urban PHAs are generally over-reimbursed under the existing administrative fee system. However, these results do not necessarily apply for smaller urban or rural PHAs. Some PHAs operate in areas where rents are unusually low (especially PHAs in rural areas) and may not be adequately reimbursed for their expenses under the current system. Also, some PHAs may be using their current excess reimbursements to cover shortfalls in funding for other subsidized housing programs that they administer.

HUD's FY 1991 budget proposal is to reimburse ongoing PHA administrative expenses for both certificates and housing vouchers at 7.65 percent of the Fair Market Rent. Evaluation of research findings and program accounting data suggests that an administrative fee system based on 7.65 percent of FMR would appropriately reimburse the majority of PHAs.

b. New Construction and Substantial Rehabilitation. The Housing and Urban-Rural Recovery Act of 1983 repealed the authority for new construction and substantial rehabilitation except for Section 202 (Housing for the Elderly or Handicapped). Under the new construction and substantial rehabilitation development procedures, HUD issues a Notification of Fund Availability (NOFA) inviting submission of proposals for an estimated number of units from a particular area. Nonprofit organizations may respond by a specified deadline with proposals to develop all or part of the units requested. This procedure is now applicable only to units developed in conjunction with the Section 202 Housing for the Elderly or Handicapped Program. This program now has two rental subsidy components--Section 8 assistance for elderly projects and a Section 202(h) rental assistance subsidy for the handicapped. Proposals are reviewed by HUD and are given rental assistance once the project is approved under Section 202.

Handicapped Rental Assistance. The HCD Act of 1987 authorized a new rental subsidy for the handicapped program under Section 202(h). Unlike the regular Section 202(a) program, tenant subsidies are not linked to Section 8 rental assistance. Appropriations were provided starting in 1989 and funding for 1991 is again being sought under the Annual Contributions for Assisted Housing account. As under the regular Section 202 program, project development is under the Section 202 Loan Fund in 1990, 1991 and beyond.

c. Rent Comparability. Consistent with the HCD Act of 1987, Section 8 new construction and substantial rehabilitation programs limit annual adjustments to contract rents, following contract execution or cost certification, to an amount which will not result in material differences between rents charged assisted units and unassisted units of similar quality and age in the same market area, except to the extent that differences existed at the time of contract execution or cost certification. In other words, while the rent on the subsidized unit may be higher than the rent on the given assisted or unassisted comparable unit at the date of project completion, the dollar magnitude of this initial differential should not be allowed to increase over time based upon the application of the annual adjustment factor. Based upon reports by the Department's Inspector General, this initial differential has been increasing in substantial numbers of Section 8 new construction and substantial rehabilitation projects.

The 1987 Housing Act also included a prohibition against a reduction to Section 8 contract rents, in effect on or after April 15, 1987, for new, substantial rehabilitation and moderate rehabilitation projects except in cases where mortgage refinancing causes a reduction to the mount of debt service needed to service the mortgage. In those cases, the Section 8 rents can be reduced but by not more than the debt service reduction.

The Ninth Circuit Court of Appeals rendered an opinion on rent comparability on June 6, 1988 (Rainier View Associates) which found the "two stage" application of the Department's rent comparability standards to be in error. The Department was ordered to pay retroactive and prospective payments to the plaintiff to correct the Rainier View inequities caused by not applying the full Annual Automatic Adjustment Factors (AAAFs). These payments were made in fiscal year 1989.

Subsequently, the Department of Housing and Urban Development Reform Act of 1989 was enacted on December 15, 1989. The Act authorizes the Department to make retroactive payments, nationwide, to owners of projects that had experienced a decrease, or insufficient increase in rent adjustments due to the application of rent comparability standards. The payments are to be made over a three year period starting in fiscal year 1991 and are estimated at $70 million each year for a total of $210 million.

d. Existing Housing. Under the Existing Housing Certificate program, a family determined eligible by the local PHA is given a Certificate of Family Participation and then may seek a suitable dwelling unit in the market or choose to remain in its present dwelling unit, provided the unit is eligible for a Section 8 subsidy. Upon meeting program regulation requirements pertaining to housing quality and rental schedules, the owner and family may sign a lease agreement subject to the approval of the PHA. A Housing Assistance Payments contract is then executed between the PHA and the owner which provides that the owner receive a monthly payment equal to the difference between the rent payable to the owner by the family and the approved total rent for the unit.

e. Project-Based Certificates. The HCD Act of 1987 permits a Public Housing Agency to approve project-based certificates if the owner agrees to rehabilitate the structure with other than assistance under the Housing Act of 1937. The McKinney Act Amendments further permitted project-based certificates for new construction projects.

Assistance for rehabilitation and new construction is limited to not more than 15 percent of the assistance provided by the Public Housing Agency. Regulations have been published (January 1989) for the rehabilitation component and regulations will be out shortly for the new construction part.

f. Fair Market Rents. The initial Section 8 contract rents are based on the Fair Market Rent (FMR) limitations established for each major housing market in the Nation. These limits, which are to be updated effective October 1 of each year, pursuant to the HCD Act of 1987, are based on rentals for various sizes and types of housing units of a modest nature in the chosen market area.

g. Leased Housing/ Elderly and the Mentally Ill. This program would provide rental assistance for the elderly and mentally ill by using existing housing owned or leased by non-profit sponsors. The use of existing housing will provide more flexibility in housing type and location, promote integration of disabled people in the community by permitting scattered units, and make assistance available more quickly than in the development program.

For the elderly lease programs separate schedules are developed for newly constructed housing and for existing housing. Within these two major divisions, separate FMRs are set by bedroom size. For new construction, FMRs are established for five structured types: detached, semi-detached row, walk-up and elevator. The actual initial maximum monthly rent for an assisted unit cannot exceed the FMR established for a given area by more than 10 percent (20 percent under certain special conditions). Rents for a specific project also are judged on the basis of a "reasonableness test" which is designed to determine the rents which unassisted families would be willing and able to pay for similar units.

h. Program Set-Asides. As specific needs and problems arose, set-asides were established within the Section 8 program to address these situations. Several Section 8 program set-aside are outlined below:

(1) Voluntary Terminations of Section 8 Contracts (OPT-OUTS).

-- Purpose/Eligibility. Certain Section 8 contracts were awarded with five-year incremental terms, to a maximum of 20 years total. These contracts contained provisions that allowed owners to voluntarily terminate the contract ("opt-outs") at the end of each of the five-year terms. Vouchers are used to assist tenants who are affected by such opt-outs by owners.

-- Program Operations. To date, few opt-outs have occurred. Prior to the Housing and Community Development Act of 1987, opt-outs were permitted at the end of each five-year term on pre-1980 Section 8 projects. For post-1980 projects, opt-outs can only occur after the contract reaches its 20th year. The 1987 Act stipulated that owners of pre-1980 projects must give HUD and the tenants at least one year notice before opting out. Instructions were issued on July 6, 1988, to conform to this requirement. The 1987 HCD Act provided HUD the ability to offer to the owner an increase in the current rent levels to the existing fair market rent levels which are published annually by HUD as an incentive to remain in the Section 8 program. If the owner of an eligible project decides to opt-out, the PHAs are given vouchers for those tenants who would be displaced.

(2) Prepayment.

-- Purpose/Eligibility. Owners of projects insured under certain sections of the National Housing Act--Section 221(d)(3) Market Rate with Rent Supplement or Section 8 units, Section 221(d)(5) Below Market Interest Rate, and Section 236 Projects--were given the right in HUD regulations to prepay their mortgages without HUD approval after the 20th anniversary of their final endorsement.

-- Program Operations. Prior to the HCD Act of 1987, if a project had a mortgage outstanding greater than 20 years, the mortgage was eligible for prepayment without any advance notice to HUD. If the mortgage was outstanding less than 20 years, approval of a prepayment had to meet certain criteria in Section 250(a). Vouchers were not specifically set-aside for those affected by prepayment prior to the 1987 Act but were introduced as a result of the 1987 Act. The 1987 Act only dealt with those projects that were eligible to prepay (i.e. 20 year mortgages).

After the enactment of the HCD Act of 1987 on February 5, 1988, projects currently eligible or becoming eligible during the period covered by the Act (until Sept. 30, 1990 under terms of the HUD Reform Act) are limited in their ability to prepay. All affected projects in Section 221(d)(3), 221(d)(5), and 236 are required to file a Notice of Intent to Prepay, and a Prepayment Plan of Action that showed how such prepayment met the new requirements of Title II, Subtitle B, Section 225, for the Secretary to approve the prepayment. These new requirements were more stringent than the 250(a) criteria.

(3) Property Disposition.

-- Purpose. The purpose of the Section 8 program is to provide lower-income families with decent, safe and sanitary rental housing through the use of a system of housing assistance payments. The Property Disposition Set-Aside program provides for the use of Section 8 housing assistance in connection with the sale of HUD-owned properties and sale of HUD-held mortgages at foreclosure in order to increase and maintain the amount of housing affordable by lower-income families, to minimize displacement of tenants, to preserve and revitalize residential neighborhoods, and to dispose of projects in a manner consistent with HUD's disposition objectives.

-- Program Operations. Under the Section 8 contract, which is executed between the owner and HUD at closing, HUD's monthly housing assistance payment to the owner will cover the difference between the Fair Market Rent (Contract Rent) and the portion payable monthly by the eligible family.

The 1991 Budget includes a new approach to property disposition as described earlier in these justifications.

(4) Loan Management.

-- Purpose and Operations. The LMSA program works by providing Housing Assistance Payments on behalf of eligible low- and moderate-income families in projects that are experiencing, or can be expected to experience, serious financial difficulties. The LMSA program provides a secure basis of income for insured projects that might otherwise default and a claim against the FHA insurance fund might ensue.

Section 8 LMSA contracts generally are limited in term to 5 years.

(5) Moderate Rehabilitation.

-- Purpose. The purpose of the Section 8 Moderate Rehabilitation program is to provide rental subsidies to lower-income families living in housing which was formerly substandard but has been upgraded through the program. The Section 8 rental subsidies cover the difference between the rents for the rehabilitation units and the amounts the tenants can afford to pay.

-- Program Operations. Due to irregularities in the selection of Moderate Rehabilitation projects, the Department in April of 1989 cancelled 1989 funding selections. Previous year awards that had not gone to contract were put on hold pending review. Funds totalling $113.9 million were recaptured from those projects which had not been obligated (contracted). Only $62 million of the total $324 million available in 1989 was reserved and obligated. The remaining funds totalling $241 million were carried over into fiscal year 1990 ($262 million less a transfer of $88 million plus the net use of $67 million of recaptured authority) .

The Department requested in a reprogramming letter dated November 9, 1989 that all Moderate Rehabilitation funds available in 1990 be used in disaster areas. The Appropriations Committees approved the use of 70 percent of the Moderate Rehabilitation funding for assisting areas of the country stricken by recent natural disasters. The remaining 30 percent of the funding is to be available under a revised moderate rehabilitation program. The Department is currently working on implementing those revisions to the Moderate Rehabilitation program which were included in the HUD Reform Act of 1989.

(6) Section 23 Leased Housing Program--Leased Housing Adjustments.

-- Purpose/Eligibility. The Housing and Urban Development Act of 1965, amended Section 23 of the United States Housing Act of 1937 to provide Federal financial assistance in the form of annual contributions to Public Housing Authorities (PHAs) so they could lease and make affordable privately owned housing available to low income families. This housing is commonly known as Section 23 Leased Housing.

-- Program Operations. Federal financial assistance is provided primarily to Section 23 projects through contributions made pursuant to the ACC executed between the PHA and HUD. These payments are referred to as basic annual contributions (BACs). BAC payments provide the necessary funds to administer the program and make payments required by the lease agreement between the PHA and the project owner.

In addition to BAC payments, HUD may provide additional assistance on a year-to-year basis to PHAs for adjustments to the fixed annual contribution. These lease adjustments are similar to an operating subsidy and fund deficits that may occur when the fixed BAC payments together with other program resources such as rental income and operating reserves are insufficient to meet those operating costs that are the clear responsibility of the PHA. Requests for lease adjustment funds are reviewed and approved by HUD in conjunction with the PHA's budget submission.

-- Current Program Status. The Leased Housing Program was terminated by the Housing and Community Development Act of 1974, and was replaced by the revised Section 8 provisions of the U.S. Housing Act of 1937, as amended. Although HUD has continued to honor commitments made under the Leased Housing Program, there have been efforts by HUD to convert Leased Housing to the Section 8 program.

(7) Conversion of Section 23 Leased Housing.

-- Section 23 Conversions to Section 8. Conversions of Section 23 units to the Section 8 program are accomplished by cancelling the lease agreement between the PHA and the private owner with the provision that existing tenants will be provided Section 8 assistance so that their continued occupancy may be accomplished. Funding for the conversion is provided by redistributing the Section 23 BAC amount to the Section 8 program and supplementing this amount with additional Section 8 authority as needed to provide for the total cost. During this conversion process, lease adjustment funds may be used to cover the expenses of closing-out and terminating the Section 23 program.

Annual Contributions for Assisted Housing

PROGRAM ACTIVITY

1. Reservations. Gross reservations for the Section 8 program by year for the period 1989-1991 are as follows:

	ACTUAL 1989	ESTIMATE 1990 (In Units)	ESTIMATE 1991
SECTION 8			
New Construction:			
Section 202	8,643	7,339	3,767
Substantial Rehabilitation:			
Section 202	440	350	200
Moderate Rehabilitation	1,896	2,115	1,305
Existing Housing:			
Regular Rental	19,001	36,711	9,403 a/
Housing Vouchers	47,286	27,523	52,924
Property Disposition	1,356 b/	6,123 b/	10,000 b/
Loan Management	4,391	7,745	5,000
Section 23 Conversions	300	650	1,300
Section 202 Elderly	NA	NA	1,700
Section 202 Handicapped	90	NA	1,000
Section 202 Mentally Ill	NA	NA	300
Homeownership/Prepayment	NA	NA	12,500
Subtotal	72,424	78,752	91,427
Total, Section 8	83,403	88,556	99,399
PUBLIC HOUSING			
Public Housing	5,246	6,293	NA
Indian Housing	1,478	1,822	NA
Total, Public Housing	6,724	8,115	NA
Total Reservations, Section 8 and Public Housing	90,127	96,671	99,399
Rental Housing Assistance for the Homeless (CPD)	...	...	6,600
Total	90,127	96,671	105,999
Incremental Units	[83,252]	[75,508]	[82,049]

a/ Reflects Certificates for Public Housing Demolitions and Disposition.
b/ Property disposition reservations include moderate rehabilitation or existing as needs required.

2. Units Not Under Construction. The status of outstanding reservations in terms of units reserved but not yet under construction at the beginning of the year, new construction and substantial rehabilitation units added during the year, construction starts during the year, and outstanding new construction and substantial rehabilitation reservations not under construction at the end of the year follows:

Annual Contributions for Assisted Housing

	ACTUAL 1989	ESTIMATE 1990 (In Units)	ESTIMATE 1991
SECTION 8 a/			
Outstanding reservations not under construction, start of year	36,920	37,123	27,312
Reservations added in year	9,173	7,689	3,967
Net Construction starts in year	-7,989	-15,500	-12,500
Deobligations in year	-981	-2,000	-2,000
Outstanding reservations not under construction, end of year	37,123	27,312	16,779
PUBLIC AND INDIAN HOUSING			
Outstanding reservations not under construction, start of year	27,539	26,387	25,634
Reservations added in year	6,724	8,115	...
Construction starts in year	-6,029	-7,305	-6,521
Deobligations in year	-863	-763	-665
Existing unit completions	-984	-800	-800
Outstanding reservations not under construction, end of year	26,387	25,634	17,645

a/ Includes Section 202 Handicapped Rental Assistance units.

3. Construction Starts. During 1989, construction was started on 14,018 units. Starts for an additional 22,805 units are estimated for 1990 and 19,021 units are estimated for 1991. Starts by program follow:

	ACTUAL 1989	ESTIMATE 1990 (In Units)	ESTIMATE 1991
SECTION 8 a/			
New Construction	5,096	15,000	12,500
Substantial Rehabilitation	125	500	500
Subtotal, Section 8	7,989	15,500	12,500
PUBLIC HOUSING			
New Construction	2,267	4,325	3,400
Substantial Rehabilitation	1,095	675	1,600
Indian Housing	2,667	2,305	1,521
Subtotal, Public Housing	6,029	7,305	6,521
Total Starts, Section 8 and Public Housing	14,018	22,805	19,021

a/ Includes Section 202 Handicapped Rental Assistance units.

4. Under Construction. The status of the new construction/substantial rehabilitation Section 8, Section 202 handicapped subsidy and Public Housing units under construction follows:

	ACTUAL 1989	ESTIMATE 1990 (Number of Units)	ESTIMATE 1991
SECTION 8			
Under construction, start of year	21,751	20,979	22,479
Construction starts in year	7,989	15,500	12,500
Construction completions in year	-8,761	-14,000	-16,000
Under construction, end of year	20,979	22,479	18,979
PUBLIC HOUSING			
Under construction, start of year	8,499	10,274	11,708
Construction starts in year	6,029	7,305	6,521
Construction completions in year	-4,254	-5,871	-8,374
Under construction, end of year	10,274	11,708	9,855

5. Administrative Commitments and Obligations. The following table distinguishes commitments (reservation of authority) from actual obligations (when HAP or ACC contract is executed) through 1991.

ADMINISTRATIVE COMMITMENT AND OBLIGATION RECONCILIATION
SECTION 8 AND PUBLIC/INDIAN HOUSING a/

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Administrative commitments, SOY...........	$31,781,956	$27,495,029	$23,546,736
Reservations during year..................	6,960,572	8,730,720	13,426,329
Obligations in year.......................	-11,247,499	-12,679,013	-16,952,422
Administrative commitments, EOY...........	27,495,029	23,546,736	20,020,643

a/ Includes Handicapped Rental Assistance Commitments and Obligations under the Section 202 program.

1989-1991 PROGRAM

The following tables present the details of the Section 8 and Public Housing programs for the years 1989-1991:

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
FY 1989 - GROSS RESERVATIONS (ACTUAL)

	Units	Cost	Term	Budget Authority
Carryover	NA	NA	NA	327,800,795
Recaptures	NA	NA	NA	507,294,640
Rescission of Recaptures	NA	NA	NA	(427,470,464)
Restoration of '74 Authority	NA	NA	NA	3,251,970
New Authority	NA	NA	NA	7,518,765,000
Transfer	NA	NA	NA	(88,000,000)
Total Available	NA	NA	NA	7,841,641,941
Public/Indian Housing				
New Construct./Major Recon	5,246 *	63,399	NA	381,145,194
Indian Housing	1,478 *	69,485	NA	102,698,966
Amendments	NA	NA	NA	38,047,523
Lease Adjustments	NA	NA	NA	22,419,657
Modernization	NA	NA	NA	1,648,719,953
Subtotal, Public Housing	6,724	NA	NA	2,193,031,293
Section 8 and Other Programs				
Section 202:				
Section 202(a) Regular	6,717 *	6,908	20	927,988,300
Section 202(h) Handicapped	2,456 *	7,237	20	355,502,000
Section 202-Amendments	NA	NA	20	108,644,080
Subtotal, Section 202	9,173			1,392,134,380
Vouchers:				
Incremental	46,694 *	5,461	5	1,274,890,833
Opt Outs/Prepayments	592	5,915	5	17,507,795
Renewals	[1,561]	4,776	5	37,279,150
Subtotal, Vouchers	47,286			1,329,677,778
Certificates:				
Incremental Certificates	18,765 *	5,760	5	540,454,885
P.H. Demolition/Disposition	236	6,962	15	24,646,470
Subtotal, Certificates	19,001			565,101,355
Moderate Rehabilitation:				
Regular	691 *	5,991	15	62,091,900
Single Room Occupancy	1,205 *	3,734	10	44,996,160
Subtotal, Mod. Rehab	1,896			107,088,060
Loan Management	4,391	3,788	5	83,159,115
Loan Management Extensions	NA	NA	NA	17,925,697
Subtotal, Loan Management	4,391			101,084,812
Property Disposition	1,356	5,835	15	118,677,085
Section 23 conversions	300	3,351	15	15,081,420
Amendments:				
New/Substantial Rehab	NA	NA	20	6,081,780
Existing Housing	NA	NA	5	700,326,053
Project Reserves	NA	NA	7	380,070,200
Tenant Rebates			1	161,441
Moderate Rehab	NA	NA	10	42,412,992
Property Disposition	NA	NA	15	9,643,560
Subtotal, Amendments	NA	NA		1,138,696,026
Subtotal, Section 8	83,403	NA		4,767,540,916
Total, All programs	90,127	NA		6,960,572,209
* Incremental Units	83,252			
Carryover	NA	NA		881,069,732

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
FY 1990 GROSS RESERVATIONS

	Units	Cost	Term	Budget Authority
Recaptures ...	NA	NA	NA	311,236,000
Rescission of Recaptures	NA	NA	NA	(311,236,000)
Carryover	NA	NA	NA	881,069,732
New Budget Authority	NA	NA	NA	8,115,221,525
Section 517 Reduction	NA	NA	NA	(125,786,525)
Sequestration	NA	NA	NA	(101,579,569)
Transfer to Salaries and Expenses	NA	NA	NA	(14,000,000)
Total, Available				8,754,925,163
Public Housing				
Public Housing	6,293 *	70,418	NA	443,209,653
Indian Housing	1,822 *	74,652	NA	136,099,095
Amendments	NA	NA	NA	179,098,993
Lease Adjustments	NA	NA	NA	20,520,794
Modernization	NA	NA	NA	1,973,335,307
Technical Assist. & Training	NA	NA	NA	2,429,957
Subtotal, Public Housing	8,115 *			2,754,693,799
Section 8 and Other:				
Section 202:				
Section 202(a) Elderly	5,593 *	6,932	20	905,587,227
Amendments	NA	NA	NA	318,945,177
Section 202(h) Handicapped	2,096 *	7,485	20	313,758,324
Amendments	NA	NA	NA	48,599,138
Subtotal, Section 202	7,689 *			1,586,889,866
Vouchers:				
Incremental	23,072 *	5,689	5	656,249,965
Opt Outs/Prepayments/Relocation	4,451	5,689	5	126,599,258
Renewals	NA	NA	NA	1,433,630
Subtotal, Vouchers	27,523			784,282,853
Existing Certificates:				
Incremental	30,523 *	5,992	5	914,442,236
Opt Outs/Prepayments/Relocation	3,645	5,992	5	109,202,262
Public Housing Homeownership	2,000 *	5,992	5	59,930,409
Public Housing Demol./Disp Replacement Certs. (15 yr.)	543	6,307	15	51,410,635
Subtotal, Certificates	36,711			1,134,985,542
Loan Management (default servicing)	7,745	4,783	5	185,226,902
Property Disposition	6,123	6,694	15	614,910,237
Section 23 Conversions (5 yr.)	650	3,394	5	11,030,500
Moderate Rehabilitation				
Regular	2,114 *	7,593	15	240,717,010
Homeless (SRO)	1 *	3,678	10	22,400
Amendments:				
New/Sub. Rehab	NA	NA	NA	3,918,220
Existing Housing	NA	NA	5	722,648,406
Project Reserves	NA	NA	7	539,832,664
Moderate Rehab	NA	NA	10	69,696,660
Property Disposition	NA	NA	15	33,456,490
Subtotal, Amendments	NA			1,369,552,440
Subtotal, Section 8	88,556	NA	NA	5,927,617,750
Total, Subsidized Housing	96,671	NA	NA	8,682,311,549
Nehemiah Grants	NA	NA	NA	24,204,538
Drug Elimination Grants	NA	NA	NA	48,409,076
Total, Annual Contributions	96,671	NA	NA	8,754,925,163
Moderate Rehabilitation Single Room Occupancy a/	[1,994]*	3,670	10	[73,185,059]
Section 8 Contract Renewals: a/				
Certificates	[19,980]	5,100	5	[509,485,801]
Vouchers	[16,369]	5,400	5	[441,952,383]
Loan Management	[5,143]	4,785	5	[123,053,326]
Subtotal, Renewals	[41,492]			[1,074,491,510]
Total, All Programs	98,665			9,902,601,732

* Incremental Units [Without LM].. 75,508

a/ Represents amounts provided under separate appropriation.

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
FY 1991 GROSS RESERVATIONS

	Units	Cost	Term	Budget Authority
New Authority	NA	NA	NA	13,286,874,000
Recaptures	NA	NA	NA	236,375,000
Rescission of Recaptures	NA	NA	NA	(236,375,000)
Transfer from Section 236 RHAF	NA	NA	NA	70,000,000
Transfer from Section 312	NA	NA	NA	87,000,000
Transfer to Research & Technology	NA	NA	NA	(17,545,000)
Total Available	NA	NA	NA	$13,426,329,000
Public/Indian Housing				
Amendments	NA	NA	NA	57,000,000
Lease Adjustments	NA	NA	NA	25,100,000
Modernization	NA	NA	NA	[1,847,492,000]
Subtotal, Public/Indian	...			82,100,000
Section 8 and Other Programs				
Section 8 Elderly:				
New Construction	3,097 *	7,391	20	457,878,752
Leased Units	1,700 *	7,167	5	60,919,500
Amendments	NA	NA	20	186,000,000
Subtotal Elderly	4,797			704,798,252
Section 202(h) Handicapped:				
New Construction	870 *	8,009	20	139,370,348
Mentally Ill (leased units)	300 *	7,167	5	10,750,500
Homeless set-aside [HOPE]	1,000 *	7,167	5	35,835,000
Amendments	NA	NA	20	52,000,000
Subtotal Handicapped	2,170			237,955,848
Subtotal, Section 202	6,967			942,754,100
Vouchers:				
Incremental	43,038 *	5,831	5	1,276,814,380
Elderly Independ. Demo.[HOPE]	[1,500]	4,540	5	[34,050,000]
Public Hsg. Homeownr. [HOPE]	1,886 *	5,825	5	54,929,750
P.H. Transitional [HOPE]	3,000 *	5,825	5	87,375,000
Public Housing Relocation	4,000	5,825	5	116,500,000
Opt Outs	1,000	5,825	5	29,125,000
Subtotal, Vouchers	52,924			1,564,744,130
[Rental Hsg. Asst. for Homeless]	[6,600] *	NA	NA	[166,782,000]
Homeownership/Prepayment [HOPE]	12,500 **	NA	NA	411,740,500
Property Disposition	10,000 **	NA	NA	329,390,000
Certificates:				
Incremental Certificates	6,889 *	6,189	5	213,191,870
P. H. Demolition/Disposition	1,400	6,515	5	45,605,000
Homeownership Replacement[HOPE]	1,114 *	6,515	15	108,865,700
Subtotal, Certificates	9,403			367,662,570
Moderate Rehabilitation:				
Single Room Occupancy [HOPE]	1,305 *	3,799	10	49,571,300
Loan Management:				
Default Prevention	5,000	4,406	5	110,150,000
Section 23 Conversions	1,300	3,506	5	22,789,000
Contract Renewals:				
Loan Management	[123,522]	5,024	5	3,102,872,600
Certificates	[136,490]	5,355	5	3,654,519,750
Vouchers	[34,483]	5,670	5	977,593,050
Subtotal, Renewals	[294,495]			7,734,985,400
Amendments:				
Existing Housing	NA	NA	5	768,000,000
Rainer View Requirements	NA	NA	7	70,000,000
Project Reserves	NA	NA	7	889,942,000
Moderate Rehab	NA	NA	10	62,000,000
Property Disposition	NA	NA	15	20,500,000
Subtotal, Amendments	NA			1,810,442,000
Subtotal, Section 8 and Other	99,399	NA	NA	13,344,229,000
Total, All Programs	99,399	NA	NA	13,426,329,000

* Incremental Units:

Annual Contributions programs	75,449
Homeless units (CPD)	6,600
Total	82,049

** It is estimated that approximately one-half of these units will represent incremental housing.

Annual Contributions for Assisted Housing

SUMMARY OF CONTRACT RENEWAL BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

	ACTUAL 1989		BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991		INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)				
Appropriation (Budget Authority):							
Enacted or Proposed................	$38,713		$667,352	$1,091,978	$7,734,985		+$6,643,007
Appropriation Act Reduction........	NA		NA	-16,925	NA		+16,925
Sequestration......................	NA		NA	-561	NA		+561
Total..............................	38,713		667,352	1,074,492	7,734,985		+6,660,493
Gross Reservations.................	37,279	a/	667,352	1,074,492	7,734,985		+6,660,493
Unit Reservations..................	1,561	a/	23,644	41,492	294,495		+253,003
Budget Outlays.....................	NA	b/	NA	$58,802	NA	a/	NA

a/ Outlays are included within Subsidized Housing (Housing Payments).

Funding of $7.7 billion for contract renewals is included within the Department's Annual Contributions for Assisted Housing account for 1991. This program level is estimated to provide for the extension of 294,495 units, consisting of 260,012 existing units (123,522 loan management units and 136,490 certificates) and 34,483 vouchers. The 1991 Budget also proposes that expiring contracts will be renewed using 5-year "in-kind" contracts and recognizes the need for uninterrupted housing assistance by advanced funding of expiring contracts.

The 1990 Appropriations Act provided a separate appropriation for this program. However, the 1991 Budget includes the funding within the Annual Contributions request for 1991 and proposes the transfer of all balances from the 1990 Appropriation into the Annual Contributions account. The Department does not feel that the contract renewals function should be continued as a separate account. The maintenance of a separate account for this program would be very staff intensive and burdensome from an accounting standpoint. Accounting systems -- down to the Public Housing Authority level -- would have to be revised to accommodate such a change. Further, it would require separate financial and budget documents for the renewal units, require monitoring and tracking units on a unit by unit basis to identify renewal units, and require separate subsidy reserve and fee reserve accounts (for certificates and vouchers) for the renewal units. Just as an example of the chaos caused by a separate account, any given unit or project may have project reserves or amendments funded by the account with its renewal funding in another. From a PHA standpoint, it makes no sense and is burdensome beyond description to establish two sets of records per unit or project--and may, indeed, be totally impossible. From an administrative standpoint, these procedures would dramatically increase the administrative workload associated with contract renewals and budgeting for both the PHAs and HUD program staff.

2. CHANGES FROM THE 1989 ESTIMATE INCLUDED IN THE 1990 BUDGET

The 1990 Budget assumed that all renewals would be done using 5-year vouchers. Consistent with this, 1,561 units were renewed at a cost of $37.3 million, very close to the estimate. In addition, $17.9 million of loan management funds were reprogrammed to extend 4,267 loan management units for 2-years.

Also in 1989, $43.9 million of amendment funds were used to extend 12,976 certificates for 2-years. The use of amendment funds for 2-year extensions resulted in the Senate Appropriations Committee prohibiting the extension of Section 8 contracts for less than 5-years and, in conjunction with appropriating contract renewals as a separate account in 1990, prohibiting the use of Annual Contributions for Assisted Housing funds for the purpose of renewing expiring contracts.

3. CHANGES FROM 1990 ESTIMATES

The 1990 Appropriations Act (P.L. 101-144) provided $1.1 billion of Budget authority for this account (this is net of the Section 517 reduction of $16.9 million and sequestration of $0.6 million) and established the renewal activity as an account separate from Annual Contributions -- the Renewal of Expiring Section 8 Subsidy Contracts account. As indicated above, the 1991 Budget proposes the transfer of this function back to Annual Contributions.

The 1990 Budget included a request under the Annual Contributions for Assisted Housing account of $667.4 million to support the extension of an estimated 23,644 expiring contracts. This estimate of units was based on Management Information Systems (MIS) data and included only those units expiring during the fiscal year. Also, the estimate was based on the assumptions that expiring contracts would be replaced with 5-year vouchers and that contracts would not be extended until they expire.

The 1990 estimate was later revised to $1.1 billion for 41,492 units. This revised estimate, as well as the 1991 Budget, reflect the following changes:

- -- Utilizing two separate accounting systems, the reservation (Assisted Housing Accounting System) and disbursement (Section 8 Accounting System) systems in place of the MIS system for estimating unit expirations.
- -- Recognition of the need to advance fund expiring contracts to ensure uninterrupted assistance to the tenants. This change requires that sufficient funding be requested to extend certificates for the full fiscal year plus the first month and one-half of the upcoming fiscal year and to extend vouchers for the full fiscal year plus the first month of the upcoming fiscal year.
- -- Revision of policy so that contracts be renewed "in-kind", that is, with the same type of Section 8 assistance as originally provided, except with 5-year contract terms.

As reflected on the following table, the 1991 Budget estimates, when compared to the estimates provided in the 1990 Budget, reflect an increase in the number of units expiring in 1990, but a decrease from 1991 through 1995.

COMPARISON OF 1990 AND 1991 ESTIMATES OF UNIT RENEWALS

FISCAL YEAR	1990 BUDGET ESTIMATE	1991 BUDGET ESTIMATE	DIFFERENCE
1990	23,644	41,492	+17,848
1991	295,906	294,495	-1,411
1992	251,853	250,389	-1,464
1993	209,455	197,416	-12,039
1994	185,678	173,401	-12,277
1995	212,378	182,087	-30,291

The increase in 1990 reflects the shift of the renewal of some units in 1991 back to 1990 for advance funding, as well as more accurate data from the use of two systems. The decrease in 1991 through 1995 reflects the shift in units in 1991 as well as a better estimate.

The budget authority necessary to fund contract renewals is also based on revised assumptions. The 1990 Budget assumed the cost of replacing expired units with 5-year vouchers. The 1991 Budget assumes the cost of "in-kind" replacement for 5-year contract terms. The 1990 Budget assumed "in kind" costs for longer contract terms, for example, 15-year certificate contracts. The following table reflects the change in estimated funding requirements:

COMPARISON OF 1990 AND 1991 ESTIMATES OF FUNDING REQUIREMENTS

FISCAL YEAR	1990 BUDGET ESTIMATE	1991 BUDGET ESTIMATE	DIFFERENCE
1990	$667,352	$1,074,492	$407,140
1991	8,618,262	7,734,985	-883,277
1992	7,535,442	7,078,821	-456,621
1993	6,408,276	5,873,358	-534,918
1994	5,782,941	5,425,853	-357,088
1995	6,733,253	6,032,416	-700,837

As can be seen the estimates of funding requirements is higher in 1990, but significantly less from 1991 through 1995. The increase in 1990 is the result shifting some units from 1991 to 1990 and a more accurate estimate. The decrease from 1991 through 1995 also reflects the shift in of some units from 1991 back to 1990 unlikely to be available until later in the year for advanced funding, the "in-kind" replacement approach and better data than existed at the time the 1990 Budget was presented.

The Senate Committee Report to the 1990 Appropriations required HUD to undertake a review of the estimates of expiring contracts by having the field offices verify the data upon which the estimates were based. A sampling that was done indicated substantial deviations beween contract documents and central office records. The field has been directed to validate current estimates of expirations for both certificates and loan management units in connection with the renewals taking place during 1990 through 1992.

Vouchers were not included in the special verification because the voucher accounting system is updated by the field on an ongoing basis. The information on this system has proven to be more accurate than that on certificates and loan management units.

The Report also required that HUD submit a plan for improving the accuracy of the data systems used to prepare the contract renewal estimates in time to affect the 1991 Budget submission. A report was submitted by the Secretary on February 1, 1990.

4. EXPLANATION OF INCREASES AND DECREASES

The increase of $6.6 billion in budget authority and gross reservations reflects the increased number of units expected to require extensions in 1991. Contract extensions will continue from 1989 onward as existing contracts expire.

The following table reflect the 1991 Budget estimates of contract expirations and funding requirements from 1990 through 1995:

CONTRACT EXPIRATIONS
(Dollars in thousands)

	Units			
Fiscal Year	Section 8 Existing	Vouchers	Total	Refunding Costs
1990	25,123	16,369	41,492	$1,074,492
1991	260,012	34,483	294,495	7,734,985
1992	179,891	70,498	250,389	7,078,821
1993	141,682	55,734	197,416	5,873,358
1994	126,282	47,119	173,401	5,425,853
1995	101,727	80,360	182,087	6,032,416

Outlays for contract renewals are included within Annual Contributions for Assisted Housing's total outlay figure. Although contract extensions require large amounts of budget authority each year starting in 1990, outlays are not really increased as a result of renewals (other than normal inflationary increases) because renewals serve only to maintain our current inventory of subsidized units.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

NEHEMIAH HOUSING OPPORTUNITY GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Obligations	...	...	$44,205	...	-$44,205
Budget Authority (Appropriation):					
Enacted or Proposed	$20,000	...	25,000	...	-25,000
Carryover from 1989	...	...	20,000	...	-20,000
Approp Act Reduction (Sec. 517)	...	...	-387	...	+387
Sequestration	...	...	-313	...	+313
Transfer to Salaries and Expenses.	...	...	-95	...	+95
Total Available in Year	20,000	...	44,205	...	-44,205
Budget Outlays	...	$6,875 a/	5,440	$19,040	+13,600

a/ Original budget proposed rescission of 1989 appropriations and zero outlays in 1990. Revised Bush Budget withdrew the rescission and reflected 1990 outlays as a result.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested in 1991 for the Nehemiah Housing Opportunity Grant program. Similar low income homeownership activities performed by community-based non-profit organizations will be eligible for funding under the proposed Housing and Opportunity for People Everywhere (HOPE) initiative.

2. CHANGES FROM 1989 INCLUDED IN THE 1990 BUDGET

The original 1990 Budget proposed a rescission of the $20 million appropriated by Congress in 1989. The rescission was withdrawn in the Bush Budget revision.

Because the $20 million did not become available until July 1, 1989, no obligations were recorded against the funds. However, funds were assigned to the Field and a competition was conducted. A total of 15 nonprofit organizations were awarded $18.9 million in support of 1,321 units. These funds, along with any remaining balances, are expected to be formally obligated during 1990.

3. CHANGES FROM 1990 BUDGET ESTIMATES

No appropriation was requested for this program in the 1990 Budget. However, Congress provided $25 million in the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1990. Section 517 of the Act made certain reductions to program appropriations to help fund the war on drugs. The total Section 517 reduction for Annual Contributions was $125.8 million, of which $387 thousand represents the Nehemiah program reduction. The program was reduced by an additional $313 thousand to meet the requirements of Gramm-Rudman-Hollings reductions pursuant to P.L. 99-177. Finally, a total $14 million of amounts appropriated under the Annual Contributions heading were approved for transfer to the "Salaries and Expenses, HUD" account. The Nehemiah portion of that total amounted to $95 thousand.

While both the 1989 and 1990 appropriations were funded under the Annual Contributions for Assisted Housing account, the amounts available in the program are being transferred to the duly authorized (section 609 of P. L. 100-242) revolving fund established for the Nehemiah program.

Nehemiah Housing Opportunity Grants

EXPLANATION OF INCREASES AND DECREASES

The decrease for the obligations and over-all decrease for budget authority reflect that no appropriation is being proposed for 1991. The increase in outlays is indicative of the estimated disbursement pattern anticipated for the program.

PROGRAM DESCRIPTION

The Nehemiah Housing Opportunity Grants program was authorized by Title VI of the Housing and Community Development (HCD) Act of 1987 (Public Law 100-242). The program is designed to:
(1) encourage homeownership by families who are not otherwise able to afford homeownership;
(2) undertake a concentrated effort to rebuild the depressed areas of the cities and to create sound and attractive neighborhoods; and (3) increase the employment of neighborhood residents.

Any nonprofit organization eligible to receive assistance under the program is authorized to use the assistance to provide loans to moderate-income families purchasing homes constructed or substantially rehabilitated in accordance with a Nehemiah housing opportunity program approved by the Secretary. Each loan made to a family is, by law, required to: (1) be secured by a second mortgage held by the Secretary on the property involved; (2) be in an amount not exceeding $15,000; (3) bear no interest; and, (4) be repayable to the Secretary upon the sale, lease, or other transfer of such property.

Each family participating in the program must meet certain income and downpayment requirements. Family income must not exceed the higher of either the median family income for the area in which the program is located or the national median income. Up to 15 percent of the families in a project may have incomes up to 115 percent of median, under certain circumstances. Generally, the downpayment must be equal to 10 percent of the sales price of the home. The nonprofit organization must meet certain terms and conditions to receive the assistance. These include: local consultation with neighborhood residents, submittal of a program schedule for completion of the program, minimum contracted sales participation prior to starting construction or substantial rehabilitation, demonstrated financial feasibility of the program (including the availability of non-federal and private funds), compliance with local building codes, and location of homes in a single neighborhood in which median income does not exceed 80 percent of the median family income in the area.

The HCD Act establishes a revolving fund in the U.S Treasury to administer the program. The fund consists of any amount appropriated under the program, any repayments of loans and any interest earned as a result of investments which the Secretary may make of funds determined to be in excess of those needed for the program. All appropriated monies are being transferred to this revolving fund.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING PAYMENTS

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Program Level					
Estimated number of subsidies paid, end of year..................	4,512,646	4,597,700	4,614,000	4,734,800	+120,800
Adjustment for number of units receiving more than one subsidy a/	-197,329	-202,600	-198,000	-198,000	...
Units eligible for payment, end of year........................	4,315,317	4,395,100	4,416,000	4,536,800	+120,800
Financing					
Permanent indefinite appropriations to liquidate contract authority...	$12,090,008	$12,154,355	$13,887,950	$15,304,979	+$1,417,029
Appropriation	7,430,765	6,592,594	7,849,650b/	13,426,329c/	+5,576,679
Outlays..............................	12,234,512	13,600,657d/	13,634,679	15,117,619	+1,482,940

a/ This adjustment to the estimated total number of subsidies paid is made to arrive at the estimated total number of units eligible for payment. The adjustment reflects Section 236 units which also receive Section 8 or Rent Supplement assistance.

b/ Represents amount appropriated in 1990 for Annual Contributions less Sec. 517 reduction, sequestration and transfers to other accounts.

c/ Represents new budget authority net of transfers to and from other accounts.

d/ Represents revised estimate based on budget amendments submitted April 1989 to fully fund McKinney Act programs.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

Permanent, indefinite appropriations of $15.3 billion are anticipated for 1991 to meet contractual payment requirements. In addition, a direct long-term appropriation of $13.3 billion is being requested for 1991 under the heading "Annual Contributions for Assisted Housing" for both Section 8 and the Public/Indian Housing programs. This appropriation, together with net transfers into and out of the account, will increase total available budget authority to $13.4 billion.

The Budget estimates a total of over 4.5 million units eligible for payment under the subsidized housing programs at the end of 1991 with outlays estimated at $15,118 million.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN THE 1990 BUDGET

A total of 4,315,317 units were reported as eligible for payment at the end of 1989 compared with a 1990 Budget estimate of 4,303,600 units. The overall difference of 11,717 units is the net result of a combination of factors involving virtually all six of the programs included within Subsidized Housing. In general, more units were completed that predicted and fewer units dropped out of the inventory.

Outlays were about one percent less than the estimate in the 1990 Budget. It was estimated that outlays would total $12,350 million in 1989 but actual net disbursements reached only $12,235 million. Subsidized Housing outlays are the net result of the interaction of many economic factors affecting the housing market--local rent trends, tenant income fluctuations, the number of new units coming under payment, program drop-outs, etc. Small changes in any of these factors can result in substantial outlay shifts when applied to an inventory of over 4.3 million units.

Housing Payments

The table below presents a program-by-program comparison between the 1990 Budget estimates for 1989 and actual activity for units under payment and outlays. The impact of each program on the inventory and total outlays is discussed in the paragraphs following the table.

PROGRAM	UNITS ELIGIBLE FOR PAYMENT 1989 ESTIMATE	UNITS ELIGIBLE FOR PAYMENT 1989 ACTUAL	OUTLAYS 1989 ESTIMATE (Dollars in Thousands)	OUTLAYS 1989 ACTUAL (Dollars in Thousands)
Lower Income Housing Assistance Payments (Section 8)............	2,418,300	2,419,866	$9,769,198	$9,917,596
Homeownership Assistance (Section 235):				
Original Program................	92,100	95,191	54,982	36,479
Revised Program.................	41,000	42,993	95,041	72,010
Restructured Program............	3,800	2,780	9,509	6,024
Rent Supplement..................	23,500	20,000	35,460	47,957
Rental Housing Assistance (Section 236)....................	527,000	528,000	625,651	611,233
Public Housing...................	1,400,500	1,403,816	1,739,506	1,523,998
College Housing..................	(443)	(443)	21,000	19,215
Subtotal.........................	4,506,200	4,512,646	12,350,347	12,234,512
Adjustment.......................	-202,600	-197,329	NA	NA
Total............................	4,303,600	4,315,317	12,350,347	12,234,512

a. Units Under Payment

(1) Section 8. The actual number of units under payment were 1,566 units more than the 2,418,300 units projected in the 1990 Budget. This was the net result of actual completions being 10,399 units higher than estimated and net losses to the inventory (drop outs, recaptures, etc.) 8,833 units more than expected.

(2) Section 235-Original and Revised Program. The 138,184 units under payment at the end of 1989 were 5,084 units higher than the 1990 Budget estimates. Since there is no new activity under these programs, inventory changes--for the most part--are the result of participant drop-out. As owners' incomes rise, a point is eventually reached where subsidy is no longer necessary. Last year it was estimated that the number of families receiving homeownership assistance under these programs would decrease by about 11,700. The actual total was closer to 6,600 families.

(3) Section 235-Restructured. The actual number of units under payment in 1989 was 2,780--1,020 units less than the 1990 Budget estimate of 3,800 units. There are still units coming out of the pipeline under this phase of the Section 235 Homeownership Assistance program and it was projected that 1,158 units would reach final endorsement (completion) during the year. However, only 131 units were actually endorsed in 1989. The balance of the shortfall was attributable to insurance/subsidy termination differences.

(4) Rent Supplement. There is no new activity under this program. Changes in inventory reflect conversion of units to Section 8 assistance, losses resulting from insurance termination or some other factor. There were 3,500 fewer units in the inventory at the end of 1989 than expected. Last year, losses were assumed to be minimal for 1989--less than 25 units. However, latest program data indicate that 1990 Budget estimates fell far short of actuals in the area of terminations and that the inventory now stands at only 20,000 units.

(5) Section 236. The number of subsidies paid on behalf of residents of Section 236 projects was 528,000--just 1,000 more than the 527,000 unit estimate. As in the case of the Rent Supplement program, inventory changes are the result of losses and not new activity. In fact, the program was suspended in 1973 and, except for the honoring of a few "bona fide" commitments over the years, activity was confined to clearing out the pipeline and amendments to existing contracts.

(6) Public and Indian Housing. There were 3,316 more units in the Public/Indian Housing inventory than estimated for 1989. The net difference can be attributed to corrections in the data base and fewer completions offset, to some extent, by less units being withdrawn from the inventory through demolition or disposition.

b. Outlays

Total outlays for the Subsidized Housing programs were $12,235 million--almost $116 million less than the 1989 estimate of $12,350 million. Although aggregate outlays were close to the estimate in 1989 (a variance of less than 1 percent), there were substantial differences within the various programs. The specific programs are discussed below.

(1) Section 8. Outlays under the Section 8 program were $148.4 million higher than the 1989 estimate. This was due to a higher number of units coming under lease during the year. There were 1,566 more units under payment at year end than expected. Per unit payments also were higher.

(2) Section 235 Programs. Despite a substantially higher inventory of units under the Original and Revised programs than in the 1990 Budget estimates, all three of the Section 235 Homeownership Assistance programs reflected outlays lower than the amounts projected in the 1990 Budget. A total outlay of $159.5 million was estimated for the programs but actual outlays incurred were just over $114.5 million. Lower per unit subsidy costs appear to be the reason for the decrease in outlays. Available data are not able to identify the exact reason for the lower costs but it is reasonable to assume that rising homeowner income may have reduced subsidy requirements.

(3) Rent Supplement. Due to a change in the rate at which prior year obligations were liquidated in 1989, actual outlays were $12.5 million above the 1990 Budget estimate of $35.5 million.

(4) Section 236. Section 236 outlays were only $14.4 million lower than the Budget estimate of $625.7 million--for a difference of 2 percent.

(5) Public and Indian Housing. The $1,524 million of outlays under these programs in 1989 (including both development and modernization activities) were $215.5 million below the estimate of $1,739.5 million. The reason for the shortfall is that the construction pipeline did not proceed at the pace anticipated for 1989 in the 1990 Budget. The drawdown against funds appropriated for capital costs was not as fast as expected. The effect of a slower 1989 disbursement of Public Housing funds also was evident in a related account--the Public Housing Loan Fund--where outlays recorded against pre-1987 Public and Indian Housing pipeline activity were $191 million below estimated levels.

3. CHANGES FROM 1990 BUDGET ESTIMATES

a. Units Under Payment. The following table compares the current estimates of the number of units eligible for subsidy payments under the subsidized programs in 1990 with those estimates included in last year's Budget:

FISCAL YEAR 1990 UNITS ELIGIBLE FOR PAYMENT

PROGRAM	1990 BUDGET ESTIMATE	CURRENT ESTIMATE	INCREASE + DECREASE -
Lower Income Housing Assistance Payments (Section 8)................	2,518,800	2,531,300	+12,500
Homeownership Assistance (Sec. 235).	124,400	132,400	+8,000
Rent Supplement......................	23,500	20,000	-3,500
Rental Housing Assistance (Sec. 236)	526,000	527,000	+1,000
Public Housing.......................	1,405,000	1,403,300	-1,700
College Housing Grants..............	(443) a/	(443) a/	...
Total Subsidies Paid..............	4,597,700	4,614,000	+16,300
Estimated Section 236 units also Receiving Section 8 or Rent Supplement Assistance..............	-202,600	-198,000	+4,600
Total Units Eligible for payment..	4,395,100	4,416,000	+20,900

a/ Represents the number of College Housing facilities.

The 20,900 net increase in units eligible for payment is the result of several factors impacting the subsidized programs as follows:

Housing Payments

(1) Section 8. The number of Section 8 units under payment is currently estimated at 2,531,300 units, representing an increase of 12,500 units over the previous estimate of 2,518,800. The revision reflects reestimates based on trends in actual 1989 data. In addition to a higher start-of-year total, the number of completions expected under the regular moderate rehabilitation program was raised by 2,750 units and existing certificates under lease were increased by 9,300 units. These changes, along with smaller increases and reductions in other set-asides, account for the 12,500 net increase expected in the Section 8 inventory.

(2) Section 235. The increase of 8,000 units in the 1990 estimate (from 124.4 thousand to 132.4 thousand) is based in part on the higher 1989 actual units under payment at year end, a lower rate of terminations for 1990 (reflecting 1989 actual activity), and the completion of 646 units in 1990 under the program.

(3) Public Housing. The decrease of 1,700 units under payment (from 1,405 thousand to 1,403.3 thousand) reflects the net effect of the higher number of actual units in the inventory at the end of 1989 than originally estimated (3,316 units more), a lower estimate of units to be completed in 1990 (2,521 units less), and a higher estimate of terminations (2,500 more).

b. Outlays. The current estimate of $13,634.7 million for outlays in 1990 represents only a $34 million increase from the 1990 Budget estimate of $13,600.7 million. This re-estimate is based on the actual rate of disbursement for Public/Indian Housing in 1989, revised economic assumptions resulted in higher rent estimates and lower income estimates for Section 8.

The increases and decreases by program are summarized on the following table:

PROGRAM	FISCAL YEAR 1990 OUTLAYS		
	1990 BUDGET ESTIMATE	CURRENT ESTIMATE	INCREASE + DECREASE -
		(Dollars in Thousands)	
Lower Income Housing Assistance Payments (Section 8)...............	$10,485,209	$10,596,164	+110,955
Homeownership Assistance (Sec. 235).	143,619	113,845	-29,774
Rent Supplement...	36,788	49,766	+12,978
Rental Housing Assistance (Sec. 236)	626,222	619,818	-6,404
Public Housing......................	2,287,819	2,234,086	-53,733
College Housing Grants..............	21,000	21,000	...
Total............................	13,600,657	13,634,679	+34,022

Housing Payments

EXPLANATION OF INCREASES AND DECREASES

The following tables show subsidy payments/units eligible for payment at the end of each fiscal year by subsidized housing program:

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Subsidy Payments (units), End of Year					
Lower Income Housing Assistance (Section 8).......	2,419,866	2,518,800	2,531,300	2,657,000	+125,700
Homeownership Assistance:					
Original program............	95,191	88,300	92,600	90,100	-2,500
Revised program.............	42,993	33,200	37,100	35,000	-2,100
Restructured program........	2,780	2,900	2,700	2,800	+100
Rent Supplement...............	20,000	23,500	20,000	20,000	...
Rental Housing Assistance.....	528,000	526,000	527,000	526,000	-1,000
Public Housing................	1,403,816	1,405,000	1,403,300	1,403,900	+600
Total subsidy payments (gross)..	4,512,646	4,597,700	4,614,000	4,734,800	+120,800
Less estimated units receiving more than one subsidy........	-197,329	-202,600	-198,000	-198,000	...
Total units eligible for payment (net), end of year.....	4,315,317	4,395,100	4,416,000	4,536,800	+120,800
College Housing facilities eligible for Payment...........	443	443	443	443	...

Distribution by program of the Housing Payments outlays for each fiscal year follows:

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Outlays					
Lower Income Housing Assistance (Section 8)..........	$9,917,596	$10,485,209	$10,596,164	$11,552,094	+$955,930
Homeownership Assistance:					
Original program..............	36,479	53,110	35,803	34,841	-962
Revised program...............	72,010	80,945	69,884	56,420	-13,464
Restructured program..........	6,024	9,564	8,158	7,758	-400
Rent Supplement.................	47,957	36,788	49,766	50,957	+1,191
Rental Housing Assistance.......	611,233	626,222	619,818	624,225	+4,407
Public Housing........	1,523,998	2,287,819	2,234,086	2,770,324	+536,238
College Housing Grants..........	19,215	21,000	21,000	21,000	...
Total Outlays..................	12,234,512	13,600,657	13,634,679	15,117,619	+1,482,940

The combined outlays for the subsidized housing programs are estimated to increase by $1.5 billion compared to 1990. The outlay increase is attributable to the increase in the number of units under payment estimate from 4,416,000 in 1990 to 4,536,800 in 1991.

Since the Budget assumes transferring all balances from the 1990 appropriations for the Moderate Rehabilitation SRO program and Section 8 Contract Renewals into the Annual Contributions account, disbursements against these appropriations have been included in the outlays presented for Section 8 in this Justification.

PROGRAM DESCRIPTION AND ACTIVITY

1. Lower Income Housing Assistance Program (Section 8). The Section 8 Housing Assistance Payments program was authorized by the Housing and Community Development Act of 1974. This legislation authorized the Department to provide assistance to eligible families through assistance payment

contracts with Public Housing Authorities or private owners of housing units who agree to lease to eligible lower-income families. These housing units may be new, substantially rehabilitated or leased in conjunction with the Section 202 program, moderately rehabilitated, existing certificate or voucher rental units. A detailed explanation of the program is included in the Annual Contributions for Assisted Housing section of these Justifications.

Total outlay requirements of $11,552.1 million are estimated for 1991 with 2,657,000 units estimated to be eligible for payment at the end of the fiscal year 1991.

The following table presents for 1989 through 1991, the units eligible for payment at the beginning of the year the net increase in eligible units during the year and the total units eligible for payment at the end of the year resulting from program completions:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Units eligible for payment, start of year..	2,332,462	2,419,866	2,531,300
Net increase in units eligible for payment.	+87,404	+111,434	+125,700
Units eligible for payment, end of year....	2,419,866	2,531,300	2,657,000

2. Homeownership Assistance Program (Section 235). The Section 235 Homeownership Assistance program provides a subsidy to homeowners to reduce their monthly mortgage payments as explained in the Section 235 section of these Justifications.

Payment requirements are as follows:

(1) Original Program. Continuing contractual commitments under the Section 235 original program are estimated to result in total outlay requirements of $34.8 million for 1991 with 90,100 units eligible for payment at year end. Payment estimates also include mortgage handling fees of $3.00 per mortgage per month. Homeownership subsidy payments for the original program, including the mortgage servicing fees, are expected to average $387 per unit on a full year basis in 1991.

(2) Revised Program. Total outlay requirements of $56.4 million are estimated for 1991 for the Section 235 Homeownership Assistance revised program. An estimated 35,000 units are expected to be eligible for payment at the end of 1991. The payment estimate includes mortgage handling fees of $3.00 per mortgage per month. The average subsidy payment including the mortgage servicing fees, is estimated at approximately $1,612 per year.

(3) Restructured Program. Total outlay requirements of $7.8 million are estimated for 1991 to over payments to 2,800 units estimated to be eligible for payment at the end of the year. The estimate includes mortgage handling fees of $3.00 per unit per month. The average subsidy payment is estimated at $2,770 in 1991.

The following table presents, for 1989 through 1991, the units eligible for payment at the beginning of the year, the net change in eligible units during the year (with the net decreases due primarily to units acquired by the Department, mortgages that have been prepaid in full or subsidy reduction or termination resulting from increases in income that make homeowners ineligible for continued payments), and the total units eligible for payment at the end of the year for the original, revised and restructured programs.

Housing Payments

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Units eligible for payment, start of year:			
Original program	96,157	95,191	92,600
Revised program	48,626	42,993	37,100
Restructured program	3,103	2,780	2,700
Total	147,886	140,964	132,400
Net change in units eligible for payment:			
Original program	-966	-2,591	-2,500
Revised program	-5,633	-5,893	-2,100
Restructured program	-323	-80	+100
Total, net change	-6,922	-8,564	-4,500
Units eligible for payment, end of year:			
Original program	95,191	92,600	90,100
Revised program	42,993	37,100	35,000
Restructured program	2,780	2,700	2,800
Total	140,964	132,400	127,900

3. Rent Supplement Program. The Rent Supplement program provides subsidy assistance on behalf of needy tenants living in privately owned, privately operated and privately financed housing as explained in the Rent Supplement section of these Justifications.

Total outlay requirements of $51 million are estimated for 1991 with 20,000 units estimated to be eligible for payment at year end. Rent Supplement subsidies are expected to average $2,548 per unit on a full year basis in 1991.

4. Rental Housing Assistance Program (Section 236). The Section 236 Rental Housing Assistance program provides a subsidy to project owners to reduce mortgage interest payments as explained in the Section 236 section of these Justifications.

Total outlay requirements of $624.2 million are estimated in 1991 with subsidy payments for an estimated 526,000 units, including an estimated 198,000 units also receiving either Section 8 or Rent Supplement assistance. The payment requirements include additional Rental Assistance payments ("deep subsidies") as determined by the Secretary pursuant to the 1983 Supplemental Appropriations Act for State-aided projects.

The units eligible for payment are expected to decrease by 1,000 units each year due to insurance (and, therefore, assistance contracts) terminations.

5. Public Housing Program. For reservations through 1986, HUD provides annual contributions for debt service for the development and modernization of PHA/IHA-owned housing and basic annual contributions for Section 23 PHA-leased housing as explained in the Public and Indian Housing section of these Justifications. Starting in 1987, reservations for development and modernization are funded on a capital cost basis.

Total outlay requirements of $2,770.3 million are estimated for 1991 with 1,403,900 units estimated to be eligible for payment at year end.

The following table presents, for 1989 through 1991, the estimated units under payment at the beginning of the year, the estimated net change in eligible units during the year and the total estimated units under payment at the end of the year resulting from program commitments:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Number of subsidies, start of year	1,397,907	1,403,816	1,403,300
Net change in units eligible for payment	5,909	-516	600
Number of subsidies, end of year	1,403,816	1,403,300	1,403,900

6. College Housing Grants. The Housing and Urban Development Act of 1968 authorized the provision of debt service grants to colleges and eligible hospitals for the construction of housing and essential housing-related facilities. No new applications under the Debt Service Grant program

were accepted after January 5, 1973. Debt service grants can extend for a period of up to 40 years. They are equal to the difference between the average debt service on loans secured in the private market and the average amount of debt service which would have been required if loans had been made at a 3 percent interest rate. This was the rate applicable to the College Housing direct loan program which had been the primary means of providing Federal financial assistance for college housing and related facilities prior to the enactment of the Debt Service Grant program. HUD continues to have responsibility for the management of the College Housing Debt Service Grant program because it was not included with the programs that were transferred by the Department of Education Act (Public Law 96-88).

Total outlay requirements are estimated at $21 million for 1991 for 443 facilities estimated to be eligible for payment at year end based on existing program commitments.

Management activities ensure that valid grant payments on subsidized private loans are made. Individual grants are required to be evaluated periodically with respect to the mandatory call provisions of the private market loan. HUD requires that grantees refinance their private market loans when call conditions permit and market conditions indicate that refinancing will result in reduced interest costs and, consequently, in reduced grant payments. The Department does not guarantee the private loans. Therefore, liability is limited to the debt service grant payments.

Undisbursed Balances. The following table reflects the distribution of undisbursed obligated balances of long-term budget authority for the Housing programs included within "Housing Payments." Undisbursed balances from the Rental Rehabilitation and Rental Housing Development Grants (HoDAG) programs are not included.

PROGRAM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Outstanding Obligations End of Year:			
Annual Contributions for Assisted Housing	$153,306,167	$142,843,694	$136,326,198
Section 235 and 236	27,428,182	26,534,148	25,887,294
Rent Supplement	1,296,045	1,282,587	1,266,130
College Housing	531,486	510,486	489,486
Total	182,561,880	171,170,915	163,969,108
Administration Commitment Outstanding End of Year:			
Annual Contributions for Assisted Housing	27,513,597	23,565,304	20,042,311
Total Balances, End of Year:			
Annual Contributions for Assisted Housing	180,819,764	166,408,998	156,368,509
Section 235 and 236	27,428,182	26,534,148	25,887,294
Rent Supplement	1,296,045	1,282,587	1,266,130
College Housing	531,486	510,486	489,486
Total	210,075,477	194,736,219	184,011,419

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

FLEXIBLE SUBSIDY FUND
(TROUBLED PROJECTS)

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Program Levels:					
Projects Assisted.............	31	41	63	33	-30
Reservations..................	$31,288	$36,500	$66,179	$36,326	-$29,853
Obligations...................	22,418	$48,945	55,348	49,331	-6,017
Financing					
Prior year balances.........	175,845	...	72,653	72,653	...
Other funds available (net)	14,393	1,500	2,500	3,000	+500
Transfer to CDBG...........	-150,000	...	...	...	...
Transfer to Treasury........	...	...	...	-3,000	-3,000
Transfers from the Rental Housing Assistance Fund..	63,461	...	63,679	...	-63,679
Appropriations.............	...	35,000	...	...	...
Total....................	103,699	36,500	138,832	72,653	-66,179
Budget Outlays.................	-58,624	12,445	-10,018	26,149	+36,167

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

Appropriation language is being proposed (under Annual Contributions) which would transfer the excess rental receipts in the Rental Housing Assistance Fund to the Annual Contributions for Assisted Housing account instead of the Flexible Subsidy fund. In addition, any interest and other income (mainly loan repayments), are proposed to be transferred from the Flexible Subsidy Fund to the General Account at the Treasury. All unobligated balances at the end of the 1990 would be used to fund the program at an estimated $36 million level in each of fiscal years 1991 and 1992. No additional assistance through the Flexible Subsidy Fund would be provided after 1992.

Flexible Subsidy assistance will be provided pursuant to the requirement for public notification of availability of funds, application procedures and selection criteria as outlined in Section 102 of the Department of Housing and Urban Development Reform Act of 1989 (P.L. 101-235).

2. CHANGES FROM 1989 INCLUDED IN THE 1990 BUDGET

Reservations of $31 million were made in 1989 for 31 projects versus the Budget estimate of $76.8 million for 90 projects. Receipts in 1989 amounted to $58.6 million versus the outlay of $1.3 million estimated in the Budget. This resulted directly from the lower than anticipated level of activity and higher than anticipated transfer from the Rental Housing Assistance Fund.

Over the course of the past year, the policies, practices and procedures of the Flexible Subsidy program have been subjected to vigorous review by both program staff and the Inspector General. There is an ongoing effort to assure that the material weaknesses identified in audit reports and staff reviews are addressed in order to maintain the integrity of the program.

Project owners who wish to utilize Flexible Subsidy assistance must comply with a stringent set of program requirements. Consequently, only a portion of the applications received result in a reservation. The Department estimates that over 100 applications were reviewed in 1989, resulting in 31 reservations. Projecting the number of projects assisted and the amount of resources utilized is difficult due to the unique circumstances of each project.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget included a proposal to transfer the excess receipts from the Rental Housing Assistance Fund to the Treasury instead of to the Flexible Subsidy Fund. The Department proposed an appropriation of $35 million to fund the program. The appropriation, together with $1.5 million of interest income were estimated to provide a total of $36.5 million in 1990. Congress did not provide an appropriation and directed that Rental Housing Assistance Fund receipts continue to be transferred to the Flexible Subsidy Fund. These receipts which are estimated at $63.7 million, together with higher than anticipated carryover balances and other income, are estimated to provide a total of $138.8 million for use in 1990. Of this total, it is estimated that $66.2 million will be reserved.

EXPLANATION OF INCREASES AND DECREASES

Total resources available in the program are expected to decline from $138.8 million in 1990 to $72.7 million in 1991. This reflects the Administration's proposal to transfer excess rental receipts from the Rental Housing Assistance Fund to the Annual Contributions for Assisted Housing account, beginning in 1991. The Flexible Subsidy program will operate on the unobligated balance which exists at the start of 1991. HUD anticipates that $72.7 million will be sufficient to fund a $36.3 million program in both 1991 and 1992. No further Flexible Subsidy assistance is proposed for after 1992.

This phaseout of the Flexible Subsidy program reflects the availability of resources to carry out essentially the same activities from a number of other sources.

Loan Management assistance is available under the Subsidized Housing programs to assist in carrying out the primary purpose of the Flexible Subsidy program--helping to prevent claims. Equity take-out loans are also available as FHA insured loans under Section 241. The Low Income Housing Tax Credit, which the Department is proposing to extend, also can be used in these situations where renovation is called for. Finally, the Department's preservation initiatives as part of the HOPE proposal will provide the means of meeting the program objective of preserving the existing supply of low- and moderate-income housing.

PROGRAM DESCRIPTION

The Flexible Subsidy Fund was initially authorized by the Housing and Community Development Amendments of 1978, subsequently amended by the Housing and Community Development Act of 1987, and further amended by the McKinney Homeless Assistance Amendments Act of 1988. The HCD Amendments of 1987 established the Flexible Subsidy Fund into which repaid funds would be credited along with any transfer from the Rental Housing Assistance Fund. The 1988 Act requires the use of Flexible Subsidy funds for major capital improvements. The Act requires that not less than $30 million or 40 percent (whichever is less) of the amounts available for Flexible Subsidy be used for capital improvements.

The objectives of the Flexible Subsidy program are to: (1) reduce claims on the Department's mortgage insurance funds by aiding projects in financial distress where existing sources of financial relief are inadequate to cure the projects' problems, and (2) preserve and protect the existing supply of low- and moderate-income housing by upgrading the quality of management services and effecting short-term improvements which will enable projects to become self-sustaining and remain affordable by low- and moderate-income tenants.

Projects eligible for assistance under this program include those which: (1) have mortgages insured or held by HUD, and (2) are subsidized under Section 236 and Section 221(d)(3) Below-Market Interest Rate (BMIR) of the National Housing Act or the Rent Supplement program. Also eligible for assistance are those projects converting to the Section 8 program from the Section 236 Rental Assistance Payments (RAP) or Rent Supplement programs. The Housing Amendments of 1978 also provided for the eligibility of non-insured projects that were developed by State agencies and receiving financial assistance from HUD under one of the above subsidy programs after October 1, 1979 and requires that funding should be provided without regard to whether eligible projects are financed by insured or non-insured mortgages.

The program provides short-term cash assistance to eligible projects that are in danger of being assigned or foreclosed because of serious financial management and/or physical problems in the projects. The assistance is designed to correct deferred maintenance and replacement problems and cure current operating deficits. Provision of short-term cash assistance to an individual project is conditioned upon the development of an acceptable Management Improvement and Operating (MIO) Plan designed to restore the financial viability of the project. The MIO Plan normally requires additional financial or other resources to be committed by project owners as well as specific improvements to on-site management procedures. Temporary assistance under the program thus provides interim stability to projects while a permanent solution, as identified in the MIO Plan, is being implemented. Under certain circumstances, the Department will provide limited Flexible Subsidy assistance in the form of a one-time only, short-term loan to eligible project owners who notify HUD of an anticipated default on an insured mortgage and request assistance.

Section 185 of the Housing and Community Development Act of 1987 amends the existing statutory authority by expanding funding eligibility to include projects assisted under Section 23 of the United States Housing Act of 1937 (on or before January 1, 1975) and to all projects constructed under Section 202 of the Housing Act of 1959 prior to 1973. The Act also establishes a Flexible Subsidy Revolving Fund.

As noted earlier, the 1987 Act also authorizes a new capital improvements loan program that is used in conjunction with the current Flexible Subsidy program and which is financed using the same funding source--the Flexible Subsidy Revolving Fund. The program is available to the same class of projects which are now eligible for Flexible Subsidy funds.

Assistance for capital improvements includes major repair or replacement of capital items in eligible projects, including repairs or replacements which occur as a result of inadequate project maintenance. Project owners receiving loan assistance under this program will be expected to contribute at least 20 percent of the cost of the improvements unless the Secretary determines that a contribution of this magnitude is not financially feasible for the project. Interest charges on the loans (including any allowance for administrative cost and probable loss) will be limited to between 3 percent and 6 percent. To minimize rent increases attributable to the added loan debt service, the Secretary may provide Section 8 subsidy (if available); reduce the capital improvement loan rate to not less than 1 percent; increase the loan term to the remainder of the first mortgage term; or increase owner contributions up to 30 percent of cost.

PROGRAM ACTIVITY

The table below outlines the program assumptions for the use of available funds for Flexible Subsidy assistance in 1990 and 1991:

ESTIMATED USE OF PROGRAM FUNDS

FISCAL YEAR	NO. OF PROJECTS	AVERAGE PER PROJECT	TOTAL
		(Dollars in Thousands)	
1990...............	63	$1,042	$66,179
1991...............	33	1,091	36,327

In 1990, 63 eligible projects are expected to receive $66.2 million of reservations to cover the total costs of their approved assistance plans. The average funding per project would be $1,042 thousand based on the type of activities to be undertaken and actual 1989 program costs. In 1991, 33 eligible projects are expected to utilize $36.3 million with the average funding per project estimated at $1,091 thousand.

Flexible Subsidy Fund

PROGRAM FINANCING

During 1991, a program level of $36.3 million will provide funding resources for 33 projects. The status of available funds in the account follows:

FUND STATUS

	ACTUAL 1989	ESTIMATE 1990 (Dollars in Thousands)	ESTIMATE 1991
Unobligated balance available, start of year	$175,845	$72,653	$72,653
Unobligated balance, start of year, administrative commitments..................	NA	8,628	19,459
Excess rental collections transferred from Rental Housing Assistance Fund.............	63,461	63,679	...
Transfer to CDBG...........................	-150,000	...	...
Transfer to Treasury.........................	...	...	-3,000
Recovery of prior year obligations..........	242	...	...
Interest and other income...................	14,151	2,500	3,000
Obligations..................................	-22,418	-55,348	-49,331
Unobligated balance available, end of year..	72,653	72,653	36,327
Unobligated balance, end of year, Administrative commitments.................	8,628	19,459	6,454

Summary of Administrative Commitments

	ACTUAL 1989	ESTIMATE 1990 (Dollars in Thousands)	ESTIMATE 1991
Administrative commitments, start of year	NA	$8,628	$19,459
Reservations (gross)......................	31,288	66,179	36,326
Recovery of prior year obligations.......	-242	...	...
Obligations................................	-22,418	-55,348	-49,331
Administrative commitments, end of year..	8,628	19,459	6,454

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

MORTGAGE AND LOAN INSURANCE PROGRAMS
(FHA FUND)

PROGRAM HIGHLIGHTS	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Millions)		
Insurance Commitment Limitation					
MMI/CMHI Funds a/					
Limitation enacted or requested..	$96,000	$67,000	$73,838 b/	$62,000	-$11,838
Commitments for insurance........	-54,394	-58,978	-63,588	-55,154	8,434
Unused limitation................	41,606	8,021	10,249	6,846	-3,404
GI/SRI Funds					
Limitation enacted or requested..	NA	NA	NA	13,000	+13,000
Commitments for insurance........	NA	NA	NA	-11,213	-11,213
Unused limitation................	NA	NA	NA	1,787	+1,787
Mortgage Insurance					
Applications (units):					
Single family mortgages..........	995,265	1,046,000	1,098,063	1,133,607	35,544
Multifamily mortgages............	72,311	105,430	75,510	72,760	-2,750
Total............................	1,067,576	1,141,430	1,173,573	1,206,367	+32,794
Insurance written (units)........	779,483	797,402	856,779	909,636	+52,857
Insurance-in-force, end of year..	$321,688	$340,205	$350,974	$382,565	+$21,591
Property Improvement and Manufactured Home Loans (Title I)					
Loans Insured:					
Number...........................	98,703	123,000	101,000	107,000	6,000
Amount...........................	$1,061	$1,368	$1,099	$1,227	+$128
Insurance-in-force, end of year..	4,348	4,562	4,603	4,798	+195
Temporary Mortgage Assistance Payments					
MMI/CMHI Funds a/					
Limitation enacted or requested..	103	89	87 c/	124	+37
Use..............................	...	-89	...	-124	-124
Unused limitation................	103	...	87	...	-87
Homeowners initially assisted....	...	5,450	...	7,600	+7,600
GI/SRI Funds					
Limitation enacted or requested..	NA	NA	NA	$28	+$28
Use..............................	NA	NA	NA	-28	-28
Unused balance...................	NA	NA	NA	...	...
Assigned Mortgage and HUD-Owned Property Inventories, end of year					
Number...........................	107,890	115,173	118,064	122,524	+4,460
Units............................	313,172	384,348	422,123	438,425	+16,302
Cost d/..........................	$7,870	$9,157	$9,814	$10,623	+$809
Payment of insurance claims	5,959	6,040	7,545	6,789	-756
Proceeds from sale of assets:					
Acquired properties e/...........	3,319	3,754	3,596	3,838	+242
Mortgage Sales -- no recourse....	24	1	...	...	...
Total proceeds...................	3,343	3,755	3,596	3,838	+242

Mortgage Insurance Programs

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 VS 1990
			(Dollars in Millions)		
Net income or loss (-) from operations					
Mutual Mortgage Insurance........	-23	-4	-238	-234	+4
Cooperative Management Housing Insurance.......................	3	2	3	2	-1
General Insurance................	-484	-273	-717	-648	+69
Special Risk Insurance...........	-58	-192	-230	-217	13
Total........................	-562	-467	-1,182	-1,096	+85
Retained Income or Deficit from Operations f/					
Mutual Mortgage Insurance..........	1,563	2,949	1,172	801	-372
Cooperative Management Housing Insurance.................	19	17	20	20	...
General Insurance..................	-6,747	-3,653	-7,463	-8,111	-648
Special Risk Insurance.............	-3,589	-3,583	-3,819	-4,036	-217
Total..........................	-8,753	-4,270	-10,090	-11,326	-1,237
Budget Authority g/					
Treasury borrowings:					
New borrowings.....................	$889	$646	$2,260	$1,810	-$450
Unfinanced borrowing authority..	...	...	550	100	-450
Agency debentures.................	231	425	494	220	-274
Appropriations (Restoration of losses)..........	238	350	350	317	-33
Total...........................	1,358	1,421	3,654	2,447	-1,207
Budget Outlays g/..................	976	586	2,346	1,483	-863

a/ Includes GI and SRI Funds in 1989 and 1990, consistent with presentation in the President's 1991 Budget.

b/ Represents $75 billion included in the 1990 Appropriation Act less the Section 517 reduction of $1.2 billion.

c/ Represents $88.6 million included in the 1990 Appropriation Act less the Section 517 reduction of $1.4 million.

d/ Reflects the capitalized value of assigned mortgages and HUD-owned properties.

e/ Includes reimbursements from the Urban Homesteading account.

f/ Net income or loss is based on Generally Accepted Accounting Principles (GAAP). The 1989 activity is considered preliminary pending completion of the annual audit.

g/ Budget Authority and outlays for the GI and SRI funds are included within the MMI and CMHI Funds in 1989 and 1990.

The mortgage insurance programs of the Federal Housing Administration (FHA) are designed to expand homeownership and affordable housing, help end the tragedy of homelessness, create jobs and spur economic development.

FHA Reform. During 1990, the Department began implementing a series of reforms of FHA which are designed to reinvigorate FHA, strengthen its finances, and recommit the agency to its mission of increasing homeownership opportunities for low- to- moderate-income families and first-time homebuyers. Entitled "FHA for the 90's," the reform initiatives focus on improving available financial information and systems; providing independent, actuarial data about FHA; enhancing financial accountability at the programmatic and Regional levels; preventing fraudulent activity; and creating a "FHA for the 90's" Task Force. The extensive actuarial study will provide insight into the fiscal health of FHA and will offer information to guide further reforms. The FHA reform initiatives, many of which are outlined in the Department of Housing and Development Reform Act of 1989 (P.L. 101-235) as enacted on December 15, 1989, are expected to lead to a more efficient operation of the FHA insurance programs.

Mortgage Insurance Programs

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

a. Credit Limitation. The Budget requests a mortgage insurance commitment limitation for 1991 of $62 billion for the MMI/CMHI Funds and $13 billion for the GI/SRI Funds. The Budget assumes that approximately 1.1 million single family applications will be received in 1991. Together with multifamily and Title I insurance activity, this will require use of approximately $55.2 billion of insuring authority in the MMI/CMHI Funds and $11.2 billion in the GI/SRI Funds. The excess limitation requested will provide authority for increased business to the extent that actual demand exceeds projections.

b. Temporary Mortgage Assistance Payments (TMAP) Limitation. A direct loan limitation for 1991 of $123.5 million is requested for the MMI/CMHI Funds and $27.6 million is requested for the GI/SRI Funds. The limitation is expected to support payments for an estimated 9,300 mortgagors.

c. Appropriations for Losses. The Budget requests an appropriation of $317.4 million for actual net realized losses incurred by the General and Special Risk Insurance Funds. The losses involved are different from losses in an accounting sense and are limited to actual losses on sales of properties in the year, even though an estimated loss may have been recorded in a prior year. Under the appropriated loss concept, losses are reimbursable only when the Department liquidates mortgages and disposes of properties which have been acquired as a result of insurance claims. The proposed appropriation includes $269.6 million for the General Insurance Fund and $47.8 million for the Special Risk Insurance Fund.

d. Section 221(g)(4). This Budget proposes to address the potential assignment of $1.6 billion of current mortgages under the terms of Section 221(g)(4) through means of cash settlement to mortgagees. Providing cash payments in lieu of issuing debentures would reduce FHA Fund outlays significantly over the next 5 years. Authorizing legislation is required.

e. Budget Presentation. Beginning with this Budget, the FHA Fund Budget and financial data is being divided into two accounts for presentation and accounting control purposes. Unsubsidized programs are concentrated into one account and subsidized programs into the other account. The costs and operating results of the subsidized mortgage insurance programs will come into sharp focus and allow for more informed decision making concerning the future course of the FHA programs. The two accounts will be called:

FHA — Mutual Mortgage and Cooperative Management Housing Insurance Funds; and

FHA — General and Special Risk Insurance Funds.

2. 1990 MORTGAGE LIMITS ASSUMPTION

This Budget assumes that the Congress will enact authorizing legislation to extend the increase in the FHA mortgage limit to $124,875 which was approved in the 1990 Appropriations Act. Accordingly, no appropriation language to extend the increase is proposed in this Budget.

3. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Commitments and Mortgage Origination. Single family insurance applications representing over 995,000 units were received during 1989. The number of applications was about 51,000 units fewer than was estimated in last year's Budget. The single family applications, together with multifamily and Title I business, required the use of $54.4 billion in insurance commitments compared to the $56.8 billion estimated.

A total of 690,075 new insurance contracts were endorsed during the year, representing 779,483 units and $45.8 billion in mortgage balances compared to 647,243 contracts for 777,467 units and $44.7 billion estimated in last year's Budget.

Title I property improvement and manufactured home loans were lower than projected in last year's Budget. In 1989, 98,703 Title I loans were insured compared to the 109,000 Title I loans estimated in the 1990 Budget. The reduced activity in some measure reflects consumer preferences for home equity loans and the limited secondary market for fixed-rate home improvement loans.

Mortgage Insurance Programs

Temporary Mortgage Assistance Payments (TMAP). Implementation of the TMAP program did not occur in 1989, as indicated in the 1990 Budget. Implementation is not estimated to occur until fiscal year 1991.

Mortgage Assignments, Property Acquisition and Sales Activity. At the close of 1989, the inventory of FHA assigned mortgages and HUD-owned properties stood at 313,172 units -a 15,439 unit decrease from the previous estimates. The decrease in the property and mortgage inventory reflects the following:

— decrease in single family foreclosures—90,771 units were acquired in 1989 compared to the previous estimate of 92,211 units; and

— multifamily assignments representing 194 mortgages and 26,789 units were substantially lower than the previous estimate of 345 mortgages and 51,323 units.

The high level of claims activity recorded during 1989, although somewhat lower than estimated was mainly a function of the large volume of insurance written over the last several years. Historically, claim rates are highest during the first 3 years of the insurance policy. Claims activity also reflects continued economic distress in the "oil patch" stretching from Texas to Alaska.

Financial Activity. Net outlays for 1989 totaled $976.4 million, a $471.1 million decrease from the $1,447.5 million included in last year's estimates and a $158.1 million decrease from the actual 1988 experience. The most significant factor contributing to the lower outlays in 1989 was the substantial decrease in both single family and multifamily claims.

Starting in 1989, financial statements of the FHA Insurance Funds were prepared based on Generally Accepted Accounting Principles (GAAP). The fiscal year 1989 results of operations and all other financial statements for 1989 are considered preliminary pending completion of the annual audit.

During 1989, the FHA Insurance Funds realized a net operating loss of $562.1 million, pushing the cumulative operating deficit to $8.8 billion by the end of the year. The net loss in 1989 is about $3.7 billion lower than the 1988 loss which was reported by the audit firm of Price Waterhouse. As a part of the 1988 audit, Price Waterhouse recommended the establishment of a large ($5.4 billion) loss reserve based on defaults on hand as of September 30. This was a large one-time recording of expense. Results in 1989 and subsequent years will reflect only the net adjustment to that large amount. The 1989 adjustments, together with the 1989 fiscal year operating loss, cumulative appropriations and dividend distributions caused the total Government Equity for all four insurance funds to decrease to a deficit of $3.2 billion.

Because the 1988 audit results were available well after the close of books on 1988 activity, the GAAP adjustments were reflected as "adjustments to prior year activity" in the 1989 financial statements.

4. CHANGES FROM 1990 BUDGET ESTIMATES

Commitments and Mortgage Origination. Single family applications in 1990 are estimated at 1.06 million cases, representing 1,098,063 units. The increase over last year's estimate and the current 1989 experience reflects the additional business expected from the higher mortgage limits approved by Congress for 1990.

The estimate for multifamily applications has been decreased from last year's estimate of 105,430 units to approximately 75,500 units. This was based on lower coinsurance activity estimated for both 1990 and 1991; however, since these estimates were developed, the Department terminated the multifamily coinsurance program. Title I insurance written is estimated at 101,000 units--a reduction of 22,000 units from last year's estimate of 123,000 units.

The Current Budget assumes that an estimated $63.6 billion in insurance commitments will be issued in 1990 based upon anticipated applications.

Mortgage Insurance Programs

Based upon the revised levels of applications, approximately 746,000 new insurance contracts are expected to be written in 1990, excluding Title I, representing about 856,800 units and $51 billion in outstanding loans.

Temporary Mortgage Assistance Payments (TMAP). The Budget assumes that TMAP will not be operational in 1990, as originally assumed, but will be implemented in 1991.

Mortgage Assignments, Property Acquisitions and Sales Activity. The year-end inventory of assigned mortgages and acquired properties is estimated at 422,123 units--an increase of about 37,800 units over last year's estimate. The increase is due primarily to the following:

- implementation of TMAP is currently estimated for 1991 while last year's Budget assumed a start-up in 1990; the delay is estimated to result in additional default assignments of 7,500 units;
- assignment of 193 notes with 50,180 units of defaulted coinsured notes held by GNMA. Last year's Budget assumed no assignments of coinsured mortgages; and
- the above increases are partially offset by lower inventory carryovers from 1989 than was estimated last year.

Financial Activity. Net outlays in 1990 are estimated at $2.3 billion, as compared to last year's estimate of $585.7 million. The substantial increase in 1990 outlays is due primarily to the large volume of defaulted coinsured mortgages for which claim payments are expected in 1990, as well as an estimated higher number of single family claims.

The net operating deficit for the four insurance funds in 1990 is estimated at $1.2 billion, bringing the cumulative deficit to $10.1 billion.

EXPLANATIONS OF INCREASES AND DECREASES

Commitments and Mortgages Origination. Single family applications are estimated at about 1,134,000 units in 1991, and the Budget assumes that the enacted fiscal year 1990 mortgage limit of $124,875 will continue in 1991 and beyond. The actuarial study will assist in determining appropriate mortgage levels and other program changes as needed. Multifamily applications are expected to drop slightly while Title I business is expected to increase by 6,000 units up to 107,000 units. The 1991 Title I insurance written includes an estimated 90,000 home improvement loans and 17,000 manufactured housing loans.

The Budget requests a mortgage insurance commitment limitation of $62 billion for the MMI/CMHI account and $13 billion for the GI/SRI account. The total request of $75 billion is slightly higher than the $73.8 billion approved for 1990. This request is about $8.6 billion higher than the estimated usage.

Insurance written including Title I, is expected to increase slightly to approximately 903,600 new insurance contracts representing about 1,016,636 units and $56.4 billion in outstanding loan balances.

Temporary Mortgage Assistance Payments (TMAP). A direct loan limitation of $151.1 million is requested to support loan assistance to an estimated 9,300 mortgagors during the first operational year of this program. It is expected that the MMI Fund will require $123.5 million to support 7,600 mortgagors while the GI/SRI Fund will require $27.6 million for 1,700 homeowners.

Mortgage Assignments, Property Acquisitions and Property Sales. The year-end 1990 inventory is estimated at 438,425 units--an increase of over 16,300 units over the current year-end 1990 estimates. The projected growth in the 1991 inventory is substantially less then estimated for 1990, and reflects the following assumptions:

- the TMAP program will be fully implamented, starting on October 1, 1990;
- a majority of mortgagees will accept the Department's "cash offer" not to assign eligible mortgages to HUD under Section 221(g)(4); and
- there will be a substantial drop in multifamily default assignments, as the majority of the defaulted coinsured mortgages held by GNMA will have been paid in 1990.

Mortgage Insurance Programs

Financial Activity. Both Budget authority and outlays in 1991 are expected to decrease from the 1990 estimate, for reasons stated above. In addition, the MMI/CMHI Fund is also expected to realize additional revenue from premiums and property sales. This, however, is partially offset by an increase in single family claims. The following table provides a summary of gross disbursements and collections by most significant categories:

FUNDS APPLIED TO OPERATIONS, RECEIPTS AND OUTLAYS

	ACTUAL 1989	ESTIMATE 1990	MMI/CMHI ESTIMATE 1991	GI/SRI ESTIMATE 1991
		(Dollars in Thousands)		
Funds Applied to Operations				
Operating costs........................	$994,601	$1,118,536	$414,146	$776,701
Claims..................................	5,958,535	7,545,044	5,219,017	1,569,775
Property and other expenses............	641,554	680,089	652,350	239,752
Other adjustments a/....................	-707,325	...	-36,909	-12,729
Total Funds Applied..................	6,887,365	9,343,669	6,248,604	2,573,499
Fund Receipts				
Fee and premiums (net of rebates) b/...	1,946,036	2,103,922	1,759,762	416,835
Interest income.........................	527,862	514,701	495,130	...
Property sales..........................	3,318,569	3,595,618	3,480,334	357,590
Mortgage sales--no recourse.............	23,978	...	...	...
Recoveries and other income from properties and mortgage notes.........	597,551	783,421	196,918	632,050
Prior year adjustments..................	-503,036 c/	...	...	...
Total Receipts.......................	5,910,960	6,997,662	5,932,144	1,406,475
Outlays.................................	976,405	2,346,007	316,460	1,167,024

a/ Includes changes in net accounts receivable and payable and unfilled/undelivered orders.

b/ One-time premiums collected in 1989 amounted to $1.4 billion and are estimated at $1.6 billion in 1990 and $1.7 billion in 1991.

c/ Reflects an accounting adjustment, in line with GAAP, decreasing accrued interest receivables on nonperforming notes.

Net losses from operation are expected to decrease slightly from the 1990 estimate to $231.6 million for the MMI/CMHI Fund and $864.4 for the GI/SRI Fund.

PROGRAM DESCRIPTION

The FHA Funds cover the mortgage and loan insurance activities of about 40 active mortgage/loan insurance programs. These programs are grouped into four separate insurance funds entitled: (1) the Mutual Mortgage Insurance Fund, (2) the Cooperative Management Housing Insurance Fund, (3) the General Insurance Fund, and (4) the Special Risk Insurance Fund.

1. Home Mortgage Insurance Programs

a. Home Mortgage Insurance (Section 203(b)). The basic Home Mortgage Insurance program, Section 203(b) constitutes the bulk of all home mortgage insurance activity (approximately 92 percent of all homes insured by HUD in 1989). This Section was enacted in the National Housing Act of 1934 to facilitate homeownership, stimulate the construction and financing of housing, upgrade the quality of housing in the country, and improve mortgage lending practices.

Under the basic home mortgage insurance program, an individual can obtain a HUD-insured loan at a private financial institution to purchase a one- to four-family property. The National Housing Act, as amended, provides a maximum loan-to-value ratio for the Section 203(b) program for 97 percent of the first $25,000 and 95 percent of the value in excess of $25,000 up to the statutory mortgage limit. For loans under $50,000, the loan-to-value ratio is 97 percent of the value. For 1990, the maximum mortgage amount on single family units in high cost areas is set at the lesser of $124,875, or 95 percent of the median one-family house price in the area as determined by the Secretary. The Budget assumes the continuation of the higher mortgage limit enacted for 1990. An actuarial study will provide guidance in this matter for future years.

Mortgage Insurance Programs

The Housing and Urban-Rural Recovery Act (HURRA) of 1983 repealed the Secretary's authority to set a ceiling on mortgage interest rates. This, in effect, opened all insured mortgage activity to the negotiated interest rate approach utilized in the conventional markets. The legislation also permits HUD to insure Adjustable Rate Mortgages (ARMs), Shared Appreciation Mortgages (SAMs) and Indexed Mortgages.

The Housing and Community Development Act of 1987 made permanent the insurance authority for all FHA programs with the exception of the Section 235 program. This will permit uninterrupted operations within the commitment limitation established for the year. In addition, the Act authorized the Home Equity Conversion Mortgage Insurance Program (HECM), under which HUD will insure reverse mortgages on the homes of elderly homeowners, enabling them to turn their equity into cash.

b. Other Home Programs. Other unsubsidized one- to four-family mortgage insurance programs include the Sections 203(k) and 220(h) home improvement programs; the Section 220 Urban Renewal Home program; the Section 221(d)(2)program for families of modest income, the Section 245 Graduated Payment Mortgages program; the Sections 213 Cooperative and 234 Condominium programs; the Section 233 Experimental Housing program; the Section 237 Credit Assistance program for families purchasing homes and requiring credit counseling; anu the Section 240 program of mortgage insurance which provided for purchase of title to leased land on which homes are located.

2. Multifamily Mortgage Insurance Programs. On January 17, 1990, the Department announced the restructuring of the multifamily full insurance program by developing a new delegated insurance processing system. Under the new processing method, HUD will underwrite all new insurance commitments and will assume 100 percent of the default risk in return for 100 percent of the premiums paid by the borrower. Private lenders will conduct processing and servicing functions and will receive competitively determined fees. The new delegated insurance processing system is expected to be operational by the end of 1990. Description of the major housing programs follows:

a. Rental Housing, Sections 221(d)(3) and (4) Market Interest Rate Programs.

The Section 221(d)(3) Cooperative, Nonprofit or Limited Divided Sponsors and Section 221(d)(4) Profit Motivated and Limited Dividend Sponsors mortgage insurance programs are market rate programs designed to meet the needs of low- and moderate-income families and give preference to families displaced from urban renewal areas or as a result of other Government action.

b. Section 223(f). Section 223(f) authorizes insurance on existing multifamily projects. This program provides insurance in conjunction with the sale or refinancing of projects that are over 3 years old.

c. Other Multifamily Housing Mortgage Insurance. There are seven other unsubsidized multifamily housing mortgage insurance programs. They are: Section 207 Basic Multifamily Rental Housing, Section 220(h) Improvement Loans, Section 220 Urban Renewal, Section 233 Experimental Housing, Section 231 Housing for the Elderly, Section 213 Cooperatives, and Section 234 Condominium Housing.

d. Coinsurance. The Department began implementation of the multifamily coinsurance programs during 1983 and 1984. Under the coinsurance program, the mortgagee shares the risk of insurance losses while sharing part of the insurance premium. The Section 223(f) and 221(d)(3) and (4) programs contain the coinsurance feature, while the coinsurance feature for Section 232 Nursing Homes was scheduled for implementation in 1989. As a result of exorbitant defaults experienced in the program, the Secretary announced the termination of the program on January 17, 1990. A recent examination of the program revealed it to be structurally flawed and fundamentally unsound as well as administratively unfixable. Claims against the GI Fund are expected to exceed $1 billion in 1990 and $287.7 million in 1991. Most of the claims are expected to originate from GNMA, which holds a large volume of defaulted coinsured mortgages in mortgage backed security pools which were acquired as a result of issuer defaults.

e. Non-Housing Insurance Programs. Non-housing insurance programs include Section 207 Mobile Home Courts, Section 223(d) 2 Year Operating Loss Loans, Section 232 nursing Homes, Section 241 Supplemental Loans, Section 242 Hospitals, and Title XI Group Practice Facilities. The Department also administers a Board and Care Program under Section 232.

During 1989, the Secretary terminated the Title X Insurance Program under which land purchase and development were insured. The termination was based on the serious adverse financial condition of the program, the program's inability to achieve its statutory goals, the conclusion that restructuring the program would not be an effective way of correcting these deficiencies, and the fact that termination of the program would have virtually no effect on the availability of financing for land development across the Nation.

Mortgage Insurance Programs

3. Property Improvement and Manufactured Home Loans (Title I)

a. General. Title I of the National Housing Act includes authority for the Department to coinsure loans made by approved private financial institutions for the purpose of financing property improvements, the purchase of manufactured homes, or the preservation of historic structures.

b. Coinsurance of Property Improvement Loans. Loans made to finance alterations, repairs and improvements to existing structures, including installations of fire safety equipment in health facilities, energy conserving improvements and solar energy systems are eligible for coinsurance. The loan must be of a type which substantially protects or improves the basic livability or utility of the structure. In limited cases, loans involving the construction of small structures for commercial, industrial, or agricultural use also are eligible.

Loans in connection with single family and nonresidential structures generally may not exceed $17,500 for a term of 15 years and 32 days. Loans to improve apartment buildings generally may not exceed $43,750, or an average of $8,750 per unit for a term of 15 years and 32 days.

c. Coinsurance of Manufactured Home Loans. Coinsurance of loans to finance the purchase of manufactured homes and sites for manufactured homes are authorized where they are intended for use as the borrower's principal place of residence. The maximum amount of the loan is $40,500 for a manufactured home, $54,000 for a manufactured home and lot, and $13,500 for a developed lot. Mortgage terms range from 15 years to 25 years. Program regulations for manufactured homes permit: (1) the use of a trade-in as downpayment for a manufactured home; and (2) increased allowances for certain accessory items and costs, e.g. air conditioners, skirting, and set-up costs.

On October 9, 1990, the Department initiated two major changes in the manufactured home loan program. One change was to eliminate the financing of furniture in connection with a manufactured home loan; and the second change initiated a new premium collection method, under which the Department will collect a greater portion of the premium during the early years of the loan when the risks of default are the greatest.

d. Preservation of Historic Structures. Loans up to $15,000 per family unit, not to exceed $45,000 per structure, over a term of up to 15 years are eligible for coinsurance where the loan is made for the purpose of financing the preservation of an historic structure.

PROGRAM ACTIVITY

The operation of the insurance programs includes three broad activities: (1) mortgage insurance activity, including the receipt and underwriting of applications for mortgage insurance; (2) mortgage and loan management activities, including the servicing of mortgages with insurance-in-force and assigned mortgages; and (3) management and disposition of HUD-owned properties. An explanation of these activities follows:

1. MORTGAGE INSURANCE ACTIVITY

a. Applications. Applications for the home mortgage insurance programs are expected to increase to 1,050,000 cases in 1990 and 1,065,000 in 1991, reflecting stable interest rates and refinancing activities and the impact of higher insurable mortgage amounts passed by Congress for 1990 and assumed to continue into 1991. Multifamily applications are also expected to remain fairly stable, with unit applications ranging from about 75,500 in 1990 to 72,800 in 1991.

b. Insurance. The Budget assumes that insured mortgages will total about 856,800 units in 1990 for all the FHA Funds and in 1991 733,256 for the MMI/CMHI Fund and 176,380 units for the GI/SRI Fund. These estimates are based upon assumptions on application volume, fallout and processing time.

Mortgage Insurance Programs

Mortgage insurance written and insurance-in-force for single family homes and multifamily projects insured under Title II of the National Housing Act and property improvement and manufactured home loans insured under Title I of the Act follow:

INSURANCE WRITTEN

PROGRAM	ACTUAL 1989	ESTIMATE 1990	MMI/CMHI ESTIMATE 1991	GI/SRI ESTIMATE 1991
	(Dollars in Millions)			
	Mortgage Insurance			
Units:				
Single Family.................	714,752	772,063	733,256	90,507
Multifamily...................	64,731	84,716	...	85,873
Total......................	779,483	856,779	733,256	176,380
Amount:				
Single Family.................	$43,099	$47,796	$46,880	$4,879
Multifamily...................	2,658	3,226	...	3,440
Total......................	45,757	51,022	46,880	8,319
Title I Loan Insurance				
Units:				
Property Improvement.......	80,962	85,000	...	90,000
Manufactured Homes.........	17,741	16,000	...	17,000
Total....................	98,703	101,000	...	107,000
Amount........................	$1,061	$1,099	...	$1,227

c. Insurance-in-Force. The following table reflects the changes in the cumulative insurance-in-force from 1989 to 1991.

STATUS OF MORTGAGE INSURANCE CONTRACTS

	IN FORCE START OF YEAR	NEW CONTRACTS INSURED	EXISTING CONTRACTS TERMINATED	IN FORCE END OF YEAR
		(Dollars in Millions)		
1989 Actual				
Number of contracts:				
Single Family.......	6,539,446	689,748	454,494	6,774,700
Multifamily.........	15,990	327	313	16,004
Total...........	6,555,436	690,075	454,807	6,790,704
Amount................	$296,412	$45,757	$20,481 a/	$321,688
1990 Estimate				
Number of contracts:				
Single Family.......	6,774,700	745,404	481,036	7,039,068
Multifamily.........	16,004	584	229	16,359
Total............	6,790,704	745,988	481,265	7,055,427
Amount................	$321,688	$51,022	$21,736 a/	$350,974
1991 Estimate				
Number of contracts:				
Single Family.......	7,039,068	795,995	519,597	7,315,466
Multifamily.........	16,359	592	234	16,717
Total............	7,055,427	796,587	519,831	7,332,183
Amount................	$350,974	55,199	$23,608	$382,565

a/ Includes amounts for amortization.

2. LOAN AND MORTGAGE MANAGEMENT ACTIVITIES

Loan/Mortgage Management functions are designed to forestall and reduce claims losses to the various insurance programs and are directed specifically to the successful and financially stable operation of the programs. The activities are preventive in nature and are designed to foster sound management practices through the guidance, supervision and assistance provided to owners and managers. A mortgage is foreclosed only after all measures have been exhausted and the project or home mortgage cannot be reinstated under the existing ownership or feasibly transferred to new ownership.

a. Single Family Mortgages. Servicing of single family mortgages includes processing mortgage assignment requests, servicing HUD-held mortgages, reviewing the mortgage servicing practices of participating lenders and mortgage servicers, and debt collection functions. Servicing also includes periodic reviews of lender portfolios by HUD staff to evaluate the status of mortgages, identify problems and propose actions to be taken to avoid potential mortgage defaults.

Since 1976, the Department has been making claim payments to insured lenders and accepting assignment of the mortgages of distressed homeowners under certain circumstances. The Housing and Community Development (HCD) Act of 1980 authorized the Temporary Mortgage Assistance Payments (TMAP) program which is presently anticipated to be implemented in 1991.

(1) Current Assignment Policy. On June 10, 1976, pursuant to a consent decree in the case of Ferrell vs. Hills, the Department adopted a policy to protect homeowners who, due to temporary circumstances beyond their control, were not meeting monthly mortgage obligations and were threatened with foreclosure. Based on a consent decree, HUD has been making claim payments to insured lenders and, under certain circumstances, taking mortgages into assignment rather than requiring foreclosures. While the mortgage is in assignment, the Department may reduce or suspend mortgage payments for a period of up to 36 months to enable the homeowner to resume full mortgage payments. For a defaulted mortgage to be eligible for assignment, all of the following criteria must be met:

- — the lender must have notified the homeowner and HUD of its intention to foreclose;
- — at least 3 full monthly mortgage payments must be due and unpaid;
- — the default must have been caused by circumstances beyond the control of the homeowner including, but not limited to, job loss, death or family illness;
- — there must be a reasonable prospect that the homeowner will be able to resume full mortgage payments following the temporary period of reduced or suspended payments. (In applying this criterion, the Field Office will rule affirmatively so long as the applicant has a past record of favorable employment and is seeking work.);
- — the mortgaged property must be the principal residence of the homeowner unless waived by the Area Manager; and
- — the homeowner must not own any other property subject to a mortgage insured or held by HUD unless waived by the Area Manager.

(2) Temporary Mortgage Assistance Payments (TMAP). The Housing and Community Development Act of 1980 authorized the TMAP program as an alternative to the current single family assignment policy. Under the TMAP program, HUD would make monthly payments on behalf of single family mortgagors who are at least 3 months in arrears in their monthly mortgage payments as a result of circumstances beyond their control such as: (a) curtailment of income, (b) uninsured property damage, (c) death or illness in the family, or (d) unanticipated increases in escrow payments.

All new single family default assignments would be handled under the TMAP program. The Department would continue to operate in-house assignment programs for all multifamily assignments and for currently held single family mortgages and future single family Section 221(g)(4) assignments. TMAP is expected to reduce initial outlays in the FHA Funds by precluding the necessity for an insurance claim as a result of a mortgage assignment. The program is intended to be consistent with the basic principles established under the present home mortgage assignment program.

Mortgage Insurance Programs

The Budget assumes that TMAP will not be operational in 1990, as previously planned, but will be implemented in 1991. The Department expects that a facilitator contract will be executed in the latter part of 1990, which will permit the implementation of the TMAP program at the start of 1991. The details of this proposed contract are discussed in the Administrative Expenses, Housing section of these Justifications. For 1991, TMAP obligations are estimated at $123.5 million based on assistance to 7,600 homeowners under the MMI/CMHI Fund and $27.6 million and 1,700 homeowners under the GI/SRI Fund. The features include the following:

— payments will be made by HUD for a period of up to 18 months with an additional 18 months extension possible at the Secretary's discretion based on the Department's review of the mortgagor's income to determine the necessity for continuation or adjustment of the payments;

— there must be reasonable assurance that the mortgagor will be able to resume mortgage payments upon termination of the assistance;

— payments may be made in an amount up to the principal, interest, taxes, assessment, ground rents, hazard insurance and mortgage insurance premiums due;

— the initial payment may include an amount necessary to make the mortgage current;

— assistance under this program may be provided again at a later date, but only under limited conditions to be set by the Secretary; and

— all expenditures will be made from the FHA Fund applicable to the program under which the property is insured.

(3) Special Sale of Mortgages. During 1989, the Department sold, without recourse, $29.2 million face amount of current mortgages for $24 million. These notes were originally assigned pursuant to Section 221(g)(4) of the National Housing Act. The Budget does not assume any additional sales in 1990 and in 1991 of either single family or multifamily notes.

b. Multifamily Mortgages. Loan and mortgage management functions for multifamily projects entail responsibility for a number of activities including on-site management reviews, inspections of multifamily projects, analyses of reports on occupancy, verification of rent schedules, rent increase approvals, monitoring replacement reserve funds, the analysis of annual financial reports of multifamily projects, and debt collection. In addition, responsibilities include identification of troubled projects and the development of individual project strategies to prevent or cure defaults.

(1) As a result of issuer defaults, GNMA has been forced to take over the servicing and ultimate disposition of mortgage-backed security pools comprised of FHA coinsured mortgages. Under agreement with FHA, defaulted mortgages in these pools will be assigned to FHA for full insurance benefits.

3. PROPERTY DISPOSITION ACTIVITIES

At the close of 1989, the FHA inventory of acquired single family and multifamily properties numbered 54,273 properties representing 68,175 units. The distribution of the inventory between single family and multifamily properties is as follows:

	Inventory as of September 30, 1989	
	Properties	Units
Single family..........	54,229	58,885
Multifamily...........	44	9,290
Total Inventory.....	54,273	68,175

In very broad terms, the objectives of the property disposition activities are to minimize claims losses absorbed by the insurance funds while, at the same time, to comply with statutory requirements designed to preserve defined portions of the inventory so that they will remain available and affordable to low- and moderate-income persons.

Mortgage Insurance Programs

a. Single Family Property Sales. Over the last 4 years, the Department has experienced a steady increase to the inventory of acquired single family properties. The inventory of properties has more than doubled from the end of 1984 inventory of 20,049 single family properties to the current inventory of 54,229 properties. The growth in inventory reflects the impact of the substantial increase in new insurance written over the last several years, lower levels of home price appreciation and regional economic slowdowns. Based upon inventory growth, the Department is allocating substantial staff and other resources to the single family disposition program in order to sell 85,640 properties in 1990 and 87,830 in 1991. Even at these relatively high sales levels, total inventory is expected to reach to 60,708 properties by the end of 1991.

The Department initiated in November 1988, a number of programs whereby FHA-acquired properties are sold or leased to eligible Government agencies and private, nonprofit organizations for housing the homeless. A lease may be negotiated for up to 1 year, with an option to renew. The fee for leasing the HUD-owned property to the appropriate agency, as well as the rent charged the homeless, will be one dollar. While the property is being leased, all property maintenance costs and taxes, insurance etc., will be the responsibility of the recipient agency. Acquired properties may also be sold to eligible entities under a lease with option to purchase agreement or under a direct sales program. Properties offered for sale will carry discounts of 10 percent.

A provision of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 amended the National Housing Act by authorizing the Department to pay pre-foreclosed claims. When in the best interest of the Government, this method will be used to settle claims in certain cases where a homeowner facing foreclosure sells the home at a loss. HUD would pay a claim to the mortgagee, representing the difference between the sale price and the outstanding loan balance of the mortgage. The Budget assumes that activity under this proposal will be minimal in 1990 with approximately 235 cases using this service in 1991.

The Housing and Urban-Rural Recovery Act (HURRA) of 1983 amended the National Housing Act to allow for payment of claims by the Department without acquisition of title. Under proposed regulations, eligible properties facing foreclosure would be advertised and offered for a sale at a fair market value as determined by a HUD-approved appraisal. Mortgagees would be required to bid at least the fair market value, less appropriate adjustments, unless the fair market value is greater than the indebtedness. Mortgagees would receive the difference between the amount paid at the foreclosure sale and the insurance benefit payment that would have been paid if the property has been conveyed to HUD. The objective of these new procedures is to expand the number of bidders for these properties and to decrease the number of properties conveyed to HUD, thus reducing the amount of expenses now incurred by the Department due to the length of time HUD holds the properties. During 1989, 480 claims were processed under this procedure, and the Budget assumes 450 claims in both 1990 and 1991.

b. Multifamily Property Sales. The Housing and Community Development Act of 1987 and the McKinney Amendments Act of 1988 substantially revised the statutory requirements governing the disposition of formerly insured multifamily projects acquired by the Secretary or sold at foreclosure. The goal of preserving projects "so that they are available to and affordable by low- and moderate-income persons" has been revised by such Acts to apply to:

- — all units in multifamily housing projects that are subsidized or formerly subsidized projects;
- — vacant units or units occupied by low- and moderate-income persons in HUD-owned projects which were not formerly subsidized; and
- — for all other projects, at least those units which are occupied by low- and moderate-income persons on the date the mortgage is assigned to the Department.

The Acts provide that, in carrying out this goal, the Secretary will provide eligible projects with a 15-year project based Section 8 subsidy for all affected units or provide Purchase Money Mortgage financing or other financial assistance, such as a reduced selling price. These provisions ensure that eligible projects which are sold without project-based Section 8 subsidy will remain available and affordable by low- or moderate-income persons for 15 years following disposition or foreclosure.

The Act provides States and localities with a "right of first refusal" on the prospective purchase of any HUD-owned project. State and local government agencies will have 90 days to match any bona fide offer received by the Secretary and must be offered terms and conditions which are at least as favorable as those provided to the prospective buyer.

Mortgage Insurance Program

The Act also places new conditions on the sale of mortgages which are securing subsidized or formerly subsidized projects. These sales (including GNMA-held mortgages) will not be permitted unless terms are included to guarantee the availability of the housing, until the maturity date of the mortgage, or terms are offered at least as favorable to existing and future tenants as those required under the mortgage program.

For 1991 and thereafter, the Department is proposing to amend the National Housing Act to permit HUD to use tenant based assistance for units in unsubsidized projects which are occupied by lower income families and remove the requirement that HUD provide Section 8 assistance for the vacant units in such projects. The Department believes that this action would effectively target our limited resources to areas of low vacancy rather than areas of high vacancy. Current law provides extensive procedures which unduly restrain HUD's flexibility for the disposition of the on-hand projects.

c. Urban Homesteading. HUD-owned properties also are disposed of under the Urban Homesteading program which provides for the transfer, with nominal payment, of unoccupied one- to four-family residences to communities with homesteading plans approved by the Secretary. The program is being conducted in cities that have specified neighborhoods in which conservation efforts are coordinated and where public services and amenities needed to arrest decline and encourage private investment are provided. This program is managed by the Assistant Secretary for Community Planning and Development (CPD) and is explained further in the CPD section of these Justifications.

d. HOPE Program. The HOPE Grants program, which is a part of the Department's HOPE initiative, will provide funds to enable low-income families to become homeowners. In 1991, $72 million in HOPE grants will be provided primarily for the acquisition, and rehabilitation of distressed FHA properties. Up to 15 percent of the HOPE Grant funds can be used to provide technical assistance to aid local housing groups in developing homeownership opportunities. The Budget assumes that both single family and multifamily properties will be made available to aid the homeless under the HOPE initiative. For more details, see the HOPE program description in these justifications.

4. Summary of Mortgage and Property Transactions. The tables which follow, highlight the principal transactions affecting the Department's single family and multifamily inventory of assigned mortgages and HUD-owned properties for the period 1989-1991.

HIGHLIGHTS OF SINGLE FAMILY MORTGAGE AND PROPERTY TRANSACTIONS

	MORTGAGES/ PROPERTIES	UNITS	AMOUNT a/
		(Dollars in Thousands)	
Defaulted Mortgage Assignments During Year			
1989 Actual	9,338	9,338	$446,071
1990 Estimate	9,300	9,300	443,929
1991 Estimate	...	...	...
Current Mortgage Assignments During Year			
1989 Actual	2,475	2,475	14,075
1990 Estimate	3,500	3,500	17,500
1991 Estimate	3,500	3,500	19,250
Assigned Mortgages on Hand, End of Year			
1989 Actual	52,199	52,247	1,503,381
1990 Estimate	60,699	60,747	1,810,848
1991 Estimate	59,749	59,797	1,670,676
Purchase-Money Mortgages on Hand, End of Year			
1989 Actual	4,362	4,361	106,836
1990 Estimate	3,912	3,911	88,763
1991 Estimate	3,487	3,486	72,672
Property Acquisitions During Year			
1989 Actual:			
Foreclosure of mortgages	2,382	2,382	97,048
Direct acquisitions	82,449	88,389	4,770,733
Total	84,831	90,771	4,867,781

Mortgage Insurance Programs

	MORTGAGES/ PROPERTIES	UNITS	AMOUNT a/
	(Dollars in Thousands)		
1990 Estimate:			
Foreclosure of mortgages..............	2,150	2,150	77,356
Direct acquisitions..................	84,616	90,736	5,102,162
Total...............................	86,766	92,886	5,179,518
1991 Estimate:			
Foreclosure of mortgages..............	2,125	2,125	76,443
Direct acquisitions..................	91,058	97,741	5,718,614
Total...............................	93,183	99,866	5,795,057
Property Sales During Year			
1989 Actual..........................	79,677	85,318	3,292,227
1990 Estimate........................	85,640	92,938	3,592,450
1991 Estimate........................	87,830	93,110	3,832,596
HUD-owned Properties on Hand, End of Year			
1989 Actual..........................	54,229	58,885	3,002,882
1990 Estimate........................	55,355	58,833	3,424,285
1991 Estimate........................	60,708	65,590	4,151,946
Claims Paid--No Acquisition b/			
1989 Actual..........................	1,144	1,144	24,755
1990 Estimate........................	1,168	1,168	27,505
1991 Estimate........................	1,235	1,235	29,962

a/ Amounts for "Assigned Mortgages" and "Direct Acquisition" represent the claims paid. For "Sales," the amount reflects the cash proceeds; for "HUD-owned Properties on Hand," the amount reflects acquisition cost and net capitalized expenses and for "Mortgages on Hand," the amount reflects the unpaid balance.

b/ Includes coinsurance and other claims for which title is not conveyed.

HIGHLIGHTS OF MULTIFAMILY MORTGAGE AND PROPERTY TRANSACTIONS

PROPERTIES	MORTGAGES/ PROPERTIES	UNITS	AMOUNT a/
Defaulted Mortgage Assignments During Year			
1989 Actual..........................	132	19,634	$583,940
1990 Estimate........................	326	69,800	1,363,343
1991 Estimate........................	141	21,700	765,092
Current Mortgage Assignments During Year			
1989 Actual..........................	62	7,155	63,300
1990 Estimate........................	348	45,240	325,400
1991 Estimate........................	52	6,815	49,271
Assigned Mortgages on Hand, End of Year			
1989 Actual..........................	1,418	192,750	3,123,630
1990 Estimate........................	1,978	294,190	4,382,658
1991 Estimate........................	2,057	309,102	4,726,007
Purchase-Money Mortgages on Hand, End of Year			
1989 Actual..........................	192	20,332	125,962
1990 Estimate........................	181	18,872	110,072
1991 Estimate........................	171	17,522	96,809
Property Acquisitions During Year			
1989 Actual:			
Foreclosure of mortgages..............	8	1,690	45,457
Direct acquisitions..................	...	...	...
Total...............................	8	1,690	45,457

Mortgage Insurance Programs

	MORTGAGES/ PROPERTIES	UNITS	AMOUNT a/
1990 Estimate:			
Foreclosure of mortgages............	10	1,440	38,636
Direct acquisitions.................	...	...	...
Total............................	10	1,440	38,636
1991 Estimate:			
Foreclosure of mortgages............	10	1,440	38,636
Direct acquisitions.................	...	...	...
Total............................	10	1,440	38,636
Property Sales During Year			
1989 Actual..........................	26	4,622	26,343
1990 Estimate........................	22	2,377	3,168
1991 Estimate........................	32	5,857	5,328
HUD-owned Properties on Hand, End of Year			
1989 Actual..........................	44	9,290	240,361
1990 Estimate........................	32	8,353	195,997
1991 Estimate........................	10	3,936	74,358
Coinsurance Claims			
1989 Actual..........................	NA	559	8,777
1990 Estimate........................	66	17,179	276,348
1991 Estimate........................	19	5,028	152,454

a/ Amounts for "Assigned Mortgages" and "Direct Acquisitions" represents the claims paid. For "Sales," the amount reflects cash proceeds; for "HUD-owned Properties on Hand," the amount reflects acquisition cost and net capitalized cost; and for "Mortgages on Hand," the amounts reflects the unpaid balance.

STATUS OF THE FEDERAL HOUSING ADMINISTRATION FUND

1. Presentation of FHA financial operations. On September 15, 1989, the public accounting firm of Price Waterhouse, retained by the General Accounting Office for the purpose of reviewing the financial statements and operations of the FHA, issued its audit report for the period ending September 30, 1988. The report cited a number of material weaknesses that existed in the operations of the FHA Insurance Fund and in addition, provided financial statements of the FHA Funds using Generally Accepted Accounting Principles (GAAP). The GAAP statements reflect the following major changes from those that were prepared by HUD: (a) establishment of a loss reserve for estimated future losses on insured mortgages when defaults have occurred but where claims have not yet been filed. The balance established as of the end of 1988 was $5.4 billion; (b) property expenses are "capitalized" against the properties outstanding, and interest received on nonperforming HUD-held mortgages are treated as reduction to principal rather than interest income; (c) Appropriations for losses by the GI and SRI Funds are treated as receivables when the loss is incurred. The practice in the past was not to recognize appropriations until received; and (d) accelerated rate under which one-time premiums are earned.

Under the direction of the General Accounting Office, the Department has changed the accounting practices of FHA to more closely resemble those practices found in private business. Fiscal year 1989 marks the first year that FHA financial statements have been prepared by HUD using GAAP. The transition to GAAP resulted in a prior year surplus adjustment in 1989 of a negative $5.3 billion. The prior year adjustment in 1989 recognizes losses, as defined under GAAP, from all years before 1989 which had not been previously recorded. 1989 resulted in an annual operating loss of $562.1 million. A part of the net loss of $4.2 billion reported by Price Waterhouse in 1988 is included in the 1989 statements under prior year adjustments.

2. Scope of Operations. Income to finance FHA Fund operations is derived from a variety of sources including fees, insurance premiums and interest on investments which are credited to each of the four separate funds as appropriate. In addition, revenue from HUD-held mortgages and receipts from HUD-owned property sales also provide the cash which is used to finance mortgages and loan insurance operations. Operating expenses and losses on properties, mortgages, and notes acquired under the terms of insurance contracts also are charged to each appropriate fund. Two of the four funds, the General Insurance Fund and Special Risk Insurance Fund are operating in an overall deficit position. Deficits incurred by these funds prior to 1976 generally were financed from Treasury borrowings which were used to pay insurance claims against the Funds. Since 1976, however, the General Insurance and Special Risk Insurance Funds have received additional financing in the form of appropriations to restore losses incurred by these Funds resulting from the liquidation and sale of HUD-owned properties and mortgages.

The outlays, losses and budget authority requirements estimated in this budget are based on high future claim estimates and reflect the vulnerability of the FHA Fund in less then perfect economic conditions. The need for a thorough review and possible further change in FHA Fund operations is clearly indicated. Actuarial, financial and programmatic reviews are scheduled for the months ahead and have already started in a number of areas. As a result of these ongoing reviews, the Department has taken a number of actions to strengthen the viability of the FHA Fund. Based on the Secretary's reform initiatives, as well as ongoing and future studies of the FHA operations, FHA will be reinvigorated, strengthened in its finances, and directed toward increasing homeownership opportunities for low- to moderate-income families and first-time homebuyers.

Starting in 1991, the Budget proposes the division of the FHA Fund into two separate appropriation accounts. The existing account will be renamed and contain the MMI and CMHI Funds, while the other account will include the GI and SRI Funds. For 1989 and 1990, amounts attributable to the GI and SRI Funds will be reported under the MMI/CMHI account. The new structure will more clearly reflect the type of insurance operations conducted by the Department and the financial characteristics associated with providing such service.

Current operating procedures provide for the settlement of insurance claims with cash payments on all single family mortgages and on those multifamily mortgages insured under Sections 220, 221, 223(e), 223, 236, 235(j), 244, 1002, 241, and 223(f) under certain conditions. Other multifamily claims are paid by the issuance of debentures. In 1989, debentures totaling $231.3 million were issued and are estimated at $494.1 million in 1990 and $219.7 million in 1991. Cash claim payments which are estimated at $7,051 million for 1990 and $6,569.1 million for 1991 will be financed from cash balances, current income and supplemented by appropriations and Treasury borrowings if necessary. The Budget anticipates a net increase in cumulative Treasury borrowing of $1,566.7 million in 1990 and $845 million on 1991. In addition, the Budget anticipates a rollover of existing Treasury borrowing of $693.3 million in 1990 and $965 million in 1991.

Mortgages insured under Section 221(g)(4) that are current at the expiration of 20 years following endorsement are eligible for assignment to HUD at par. Mortgagees have a 1-year window in which to assign eligible mortgages. This Budget proposes legislation authorizing HUD to offer cash settlement to mortgagees as an inducement not to assign multifamily mortgages eligible under this Act. Under this proposal, HUD would be authorized to offer the mortgagee the cash equivalent of the difference between the "market rate" and the rate on the mortgage if the mortgagee gives up the assignment option. It is estimated that 80 percent of the eligible mortgagees will accept the Department's offer, with the average pay-out amounting to about 20 percent of the mortgage amount. Under this proposal, the Department expects to save approximately $157.7 million in 1991. Total assignments under Section 221(g)(4) are estimated at $342.9 million in 1990 and $68.5 million in 1991. The Department proposes no such cash settlement for Section 221(g)(4) single family mortgages.

During 1989, pursuant to Section 207(j) of the National Housing Act, HUD initiated a special call of outstanding debentures bearing interest rates of 9 percent or higher. On January 1, 1989, approximately $21.5 million of the high interest debentures were retired. By retiring the debentures with interest rates in excess of current Treasury borrowing rates, HUD realized annual interest savings of $670 thousand.

The financial operations of all mortgage insurance funds reflect total estimated obligations of $8,871.7 million in 1991. The total obligations consist of an estimated $6,285.5 million for the MMI/CMHI Fund and $2,586.2 million for the GI/SRI Fund.

2. Contractual Services. Each year the Congress approves in Appropriation Acts, a transfer of cash from the FHA Fund to the Salaries and Expenses (S&E) account to cover the general overhead costs associated with the operations of the insurance funds. In addition to the amounts which have been transferred annually to S&E since fiscal year 1977, the Department has historically directly charged the insurance funds certain nonoverhead programmatic costs. Congress has expressed concern in Report language that the "the delineation between these program costs and administrative costs have been blurred at best, and in certain instances has yielded inconsistent classification" (S. Report No. 99-129 dated 8/25/85). The Committee would like the Department to make a concerted effort to better differentiate between those costs which should be paid out of the S&E account and those costs which may be charged directly to the insurance funds.

On September 4, 1986, the HUD General Counsel signed a legal opinion intended to assist in clarifying these concerns. In summary, the opinion held that:

-- general overhead charges must be paid from the S&E account unless specific statutory language provides otherwise;

-- nonoverhead costs which currently are paid directly from the insurance funds may continue to be funded in that manner. The funding source for a specific activity should not be changed once the election of the source has been made; and

-- future costs, not presently incurred or currently paid out of the S&E account, may be funded directly from the insurance funds if Congressional Budget notification and OMB formalities are followed.

The Department plans to utilize these guidelines in making all future decisions regarding direct charges to the FHA Fund.

The most important payments from the insurance funds for the coming years will be for urgent technical needs: $20 million in 1990 and $30 million in 1991. The Department sought and received reform legislation which authorized comprehensive management studies. This legislation, Section 141 of the Department of Housing and Urban Development Reform Act of 1989, authorizes direct contracts with private companies for the provision of such managerial support to FHA as the Secretary determines to be appropriate, including but not limited to the management of insurance risks and the improvement and delivery of mortgage insurance. These contracts are critical to the Department's FHA reform proposal, as a number of program policies are dramatically altered to produce both short- and long-term savings. Such major program changes will require financial and technical expertise which FHA does not possess in-house and cannot develop within a reasonable time. By contracting out, necessary technical assistance can be provided to Departmental staff, enabling them to better meet the financial and technical requirements of managing their programs. The only possible alternatives are: (a) to lose substantially more money, or (b) to institute major staff increases.

The following is a brief description of some of the other major items which are being charged directly to the insurance funds. The estimated cost of these contracts has been adjusted, where appropriate, by cost of communication services and equipment.

-- Computerized Home Underwriting Management System (CHUMS). Provides automated processing of single family insurance from application through endorsement-$12 million in 1990 and 1991.

-- Multifamily Project Management System (PMS). Provides automated project based management and accounting services for HUD-owned projects and mortgage-in-possession (MIP) projects--$2 million in 1990 and 1991.

-- Single Family Notes System (IFS). Provides billing and accounting services and maintains financial and other data required for servicing HUD-held single family mortgages--$5.3 million in 1990 and $4.9 million in 1991, including communication costs.

-- Title I Notes System (DMCS). Provides automated billing and accounting and reporting on defaulted notes--$6.6 million in 1990 and $7.2 million in 1991, including communication costs.

-- Multifamily Accounting, Reporting and Servicing (MARS). Provides accounting and other support for servicing HUD-held multifamily mortgages--$2 million in 1990 and 1991.

Mortgage Insurance Programs

- Multifamily Claims Processing. Provides support for the payment of multifamily insurance claims—$1.6 million in 1990 and $1.2 million in 1991.
- Single Family Property Management. Provides management information and accounting support for HUD-owned single family properties—$2.5 million in 1990 and $2.1 million in 1991.
- Lead-Based Paint Abatement. Under a demonstration program, the contractor will test, evaluate and determine the cost effectiveness of a number of methods for abating lead based paint in residential properties. The program is mandated by Section 566 of the HCD Act of 1987. A reprogramming proposal is being prepared to use an additional $2.5 million because costs are proving to be higher than previously estimated. The total costs through 1990 are now expected to be $6.15 million.

Not included above, but considered as "major", are management, repair and service contracts for HUD-owned properties which are also funded from the FHA Fund. Funding also is available to support insurance-related activities which will improve staff productivity, reduce insurance-related expenditures and enhance the overall financial performance of the Fund.

In addition, the Budget includes the use of $7.5 million in 1990 and 1991 for use in hiring qualified, outside personnel to perform specific case work activities. Fees are used to complement staff activities in a broad range of underwriting, servicing and management activities in those situations where: (1) temporary workload exceed resources; (2) the Field Office does not have sufficient numbers of technically competent trained staff for a particular function, or (3) the use of non-federal, qualified personnel is cost-effective due to the geographic location of the work site.

(3) Appropriations. The National Housing Act, as amended, authorizes appropriations to restore actual losses sustained from mortgage insurance operations of the Special Risk Insurance (SRI) Fund and the General Insurance (GI) Fund. Appropriations are based on actual losses resulting from the acquisition and sale or liquidation of acquired properties or mortgage notes. Through 1989, $4,895.8 million has been appropriated to the GI and SRI funds. An additional appropriation of $317.4 million is requested for 1991, based on actual losses incurred in 1989. Direct FHA appropriations for losses incurred under the Urban Homesteading program which totaled $35 million through 1979 have been included under that program and are not reflected in the following summary of appropriations.

APPROPRIATIONS

INSURANCE FUND	CUMULATIVE 9/30/88	ACTUAL 1989	ACTUAL 1990	ESTIMATE 1991	ESTIMATED CUMULATIVE 9/30/91
		(Dollars in Thousands)			
General Insurance.....	$2,818,470	$161,133	$257,128	$269,614	$3,506,345
Special Risk Insurance	1,839,564	76,587	92,965	47,752	2,056,868
Total...............	4,658,034	237,720	350,093	317,366	5,563,213

Appropriations in the General Insurance Fund and the Special Risk Insurance Fund, which are authorized by the National Housing Act, as amended, have been utilized to fund both operating requirements and the repayment of Treasury borrowings. From 1982 through 1986, as cash flow improved in these funds, the appropriations have been used to repay outstanding Treasury borrowings, thus reducing the annual interest burden on the funds. Starting with 1987, however, the substantial increase in multifamily claims reversed this trend, requiring the use of all the appropriated funds for payment of operating costs. The Budget assumes that operating deficits in the GI and SRI funds will preclude the use of appropriated funds for the prepayment of Treasury borrowing in 1990 and 1991.

The following table summarizes the use of appropriations in the GI and SRI funds:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
General Insurance Fund			
Appropriations received.............	$161,133	$257,128	$269,614
Treasury Borrowings:			
Accomplished a/....................	445,000	1,620,000	1,485,000
Unfinanced authority b/...........	...	450,000	100,000
Debentures issued...................	231,263	494,052	219,673
Budget Authority..................	837,396	2,821,180	2,074,287

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Special Risk Insurance Fund			
Appropriations received.............	76,587	92,965	47,752
Treasury Borrowings:			
Accomplished a/....................	444,000	640,000	325,000
Unfinanced authority b/...........	...	100,000	...
Budget Authority................	520,587	832,965	372,752
Total FHA Budget Authority....	1,357,983	3,654,145	2,447,039

a/ Includes the refinancing of maturing Treasury borrowings.
b/ Reflects unused authority required in the future to pay current payables.

4. Borrowing from the Treasury. Since the General and Special Risk Insurance funds have not generated sufficient income to meet operating costs, the Department has borrowed substantial sums from the Treasury in order to pay claims. Beginning in 1982 and continuing through 1986, the requirement to borrow diminished and outstanding Treasury borrowings were reduced. Starting in 1987, however, the large volume of claims necessitated new borrowing from the Treasury.

The Budget assumes both funds will require Treasury borrowings to pay claims in both 1990 and 1991. As of September 30, 1989, the SRI Fund held $471 million of Treasury borrowings which will mature during 1990 and $283 million which will mature in 1991. Treasury borrowings of the GI Fund that mature in 1990 amount to $222.3 million and $682 million in 1991. It is expected that neither Fund will have sufficient cash available to retire these notes and that they will be refinanced with the Treasury. This refinancing is scored as budget authority.

Treasury borrowings and the interest expenses which have accrued from 1966-1989 follow:

BORROWINGS AND INTEREST

FISCAL YEAR	TREASURY BORROWING		INTEREST EXPENSE	
	IN YEAR	CUMULATIVE	IN YEAR	CUMULATIVE
		(Dollars in Thousands)		
1966-1976..........	NA	$4,666,268	NA	$725,932
Transition Quarter	$212,000	4,878,268	$87,567	813,499
1977...............	-1,349,447	3,528,821	328,410	1,141,909
1978...............	440,000	3,968,821	286,313	1,428,222
1979...............	...	3,968,821	310,040	1,738,262
1980...............	82,000	4,050,821	311,373	2,049,635
1981...............	96,000	4,146,821	319,690	2,369,325
1982...............	-35,000	4,111,821	333,767	2,703,092
1983...............	-77,387	4,034,434	333,790	3,036,882
1984...............	-260,000	3,774,434	320,387	3,357,269
1985...............	-335,000	3,439,434	300,790	3,658,059
1986...............	-131,000	3,308,434	277,954	3,936,013
1987...............	128,000	3,436,434	274,027	4,210,040
1988...............	556,834	3,993,268	313,469	4,523,509
1989...............	458,000	4,451,268	353,006	4,876,515
1990 estimate.....	1,566,732	6,018,000	446,356	5,322,871
1991 estimate.....	845,000	6,863,000	515,148	5,838,019

5. Composition of Assets. As of September 30, 1989, combined fund assets are $12.3 billion, including $6.1 billion in Government securities and other investments, $1.9 billion in real and personal property, $3.1 billion in assigned and defaulted mortgage notes, $177 million in mortgage notes acquired from the sale of properties, $667 million of appropriation requests receivable in 1990 and 1991, and $455.8 million in cash and accounts receivable. The properties on hand are valued at acquisition cost increased by net capitalized expenses less an allowance for anticipated future losses while notes are reflected at the unpaid balance less an allowance for estimated future losses. During 1991, the value of the total assets of all insurance funds is expected to increase to $14 billion, primarily as a result of an increase in acquired properties, assigned mortgage notes and appropriations receivable.

Mortgage Insurance Programs

6. Government Equity. Government equity, which includes appropriations and cumulative operating income net of expenses, decreased by $5.1 billion to a deficit position of approximately $3.2 billion as of September 30, 1989. The change resulted primarily from the use of GAAP in developing the FHA financial statements. A one-time adjustment of $5.3 billion was required to bring prior year activity in line with GAAP reporting. In addition, losses for the year amounted to $562.1 million and distributive share payments to $172.3 million. The financial statements for 1989 are considered preliminary pending a final audit. The following table reflects the net operating results through the end of each period:

NET OPERATING RESULTS-CUMULATIVE

INSURANCE FUNDS	ACTUAL CUMULATIVE 1989	ESTIMATED CUMULATIVE 1990	ESTIMATED CUMULATIVE 1991
		(Dollars in Millions)	
Net Income or Loss from Operation			
Mutual Mortgage	$1,563	$1,173	$801
Cooperative Management Housing	19	20	20
General	-6,746	-7,464	-8,112
Special Risk	-3,589	-3,819	-4,036
Total Net Loss	-8,753	-10,090	-11,327
Cumulative Appropriations a/			
Urban Homesteading	35	35	35
General	3,506	4,074	4,540
Special Risk	2,057	2,115	2,181
Total Appropriations	5,598	6,224	6,756
Net Government Equity	-3,155	-3,866	-4,571

a/ Includes appropriations requested but not received.

7. Summary Tables. Summary Statements of Obligations and Financing, Income and Expense, and Financial Condition are shown on the following pages.

SUMMARY OF OBLIGATIONS AND FINANCING

OBLIGATIONS	ACTUAL 1989	ESTIMATE 1990	MMI/CMHI ESTIMATE 1991	GI/SRI ESTIMATE 1991
Capital Investment				
Acquisition of real properties	$4,770,732	$5,102,162	$5,193,648	$524,966
Assignment of Title I notes	46,865	49,280	...	54,120
Assignment of defaulted mortgages	1,030,011	1,807,271	...	765,092
Claim payments on current mortgages	77,375	342,900	...	68,521
Loss on defaulted guaranteed loans	...	243,431	25,370	157,076
Capitalized property expenses	...	601,121	501,615	120,976
Temporary mortgage assistance payments	...	...	123,500	27,625
Payment for claim avoidance	...	...	...	39,417
Acquisition of other assets	76,599	78,968	27,235	51,733
Total capital investment	6,001,582	8,225,133	5,871,368	1,809,526
Operating Costs				
Transfer to Salaries and Expenses, HUD	378,419	392,050	212,546	176,353
Interest to Treasury	353,006	446,356	...	515,148
Interest on debentures	43,434	52,430	...	57,500
Property expenses	564,955	...	...	...
Participation payments, other operating expenses and adjustments	219,742	227,700	201,600	27,700
Loss on defaulted guaranteed laons	33,552	...	...	...
Total operating costs	1,593,108	1,118,536	414,146	776,701
Total Obligations	7,594,690	9,343,669	6,285,514	2,586,227

Mortgage Insurance Programs

FINANCING	ACTUAL 1989	ESTIMATE 1990	MMI/CMHI ESTIMATE 1991	GI/SRI ESTIMATE 1991
Debenture Issuance and Redemption				
Issued..................................	$ 231,263	$ 494,052	...	$ 219,673
Redeemed................................	-55,428	-246,955	...	-250,000
Net Debentures Issued or Redeemed..	175,835	247,097	...	-30,327
Borrowing From U.S. Treasury (net)...	458,000	2,116,732	...	945,000
Appropriation..........................	237,720	350,093	...	317,366
Revenue				
Fees and premiums (net of rebates)	1,946,036	2,103,922	$ 1,759,762	416,835
Interest on U.S. securities..........	527,862	514,701	495,131	...
Other interest, dividends and revenue............................	331,130	415,373	110,402	253,286
Prior year adjustments...............	-503,036	...	...	...
Total Revenue......................	2,301,992	3,033,996	2,365,295	670,121
Other Receipts				
Proceeds from sale of real properties...........................	3,307,706	3,573,768	3,437,814	353,110
Urban Homesteading transfer..........	10,863	21,850	42,520	4,480
Recoveries on defaulted mortgages, mortgage notes and Title I notes.......................	290,399	368,048	86,516	378,764
Total Other Receipts..............	3,608,968	3,963,666	3,566,850	736,354
Total Revenue and Other Receipts..........................	5,910,960	6,997,662	5,932,145	1,406,475
Unobligated balance, start of year...	6,124,242	5,312,067	5,679,982	...
Unobligated balance, transferred.....	...	...	181,626	181,626
Unobligated balance, end of year.....	5,312,067	5,679,982	5,144,987	233,913
Net increases (-) in unobligated balance............................	812,175	-367,915	353,369	-52,287
Total Financing...................	7,594,690	9,343,669	6,285,514	2,586,227

SUMMARY TABLE OF INCOME AND EXPENSES a/

	ACUTAL 1989	ESTIMATE 1990	MMI/CMHI ESTIMATE 1991	GI/SRI ESTIMATE 1991
		(Dollars in Thousands)		
Income				
Fees and insurance premiums earned......	$1,633,407	$1,764,538	$1,479,869	$409,951
Interest on U.S. Government securities..	527,862	514,701	495,131	...
Other interest, dividends and income....	303,089	300,875	54,376	224,308
Total Income..........................	2,464,358	2,580,114	2,02,259	634,259
Expenses				
Transfer to Salaries and Expenses, HUD..	378,419	392,050	212,546	176,353
Acquired security and notes.............	2,087,163	2,272,320	1,560,763	815,977
Interest on borrowing from U.S. Treasury and debentures.........................	396,440	498,786	...	572,648
Fees, contracts, and other expenses.....	42,516	72,200	61,400	27,700
Total Expenses........................	2,904,538	3,235,356	1,834,709	1,592,678

Mortgage Insurance Programs

	ACTUAL 1989	ESTIMATE 1990	MMI/CMHI ESTIMATE 1991	GI/SRI ESTIMATE 1991
Incurred but Not Received Loss Reserves - Increases (-).................	$289,000	$204,353	-$80,033	$103,150
Net Profit Before Adjustment for Valuation..............................	-151,180	-450,889	114,634	-855,269
Increase (-) or Decrease (+) in Valuation Allowance				
Allowance for estimated future losses on acquired properties and notes.........	-282,920	-757,301	-346,200	-28,690
Allowance for estimated future losses on defaulted Title I notes...............	-127,956	26,556	...	+19,561
Net Adjustment in Valuation Allowances....	-410,876	-730,745	-346,200	-9,129
Net profit................................	-562,056	-1,181,634	-231,566	-864,399
Prior year adjustments....................	-5,277,126	...	...	...
Participation Payments....................	-172,260	-155,500	-140,020	...
Appropriation.............................	905,179	626,091	...	531,242
Increase or Decrease in Government Equity..................................	-5,106,263	-711,043	-371,586	-333,157

a/ Income and expenses are based on GAAP; 1989 activity is considered preliminary pending completion of the annual audit.

STATEMENT OF FINANCIAL CONDITION AT END OF YEAR a/

	ACTUAL 1989	ESTIMATE 1990	MMI/CMHI ESTIMATE 1991	GI/SRI ESTIMATE 1991
		(Dollars in Thousands)		
ASSETS				
Current Assets				
Cash................................	$120,799	$74,215	$32,916	$13,853
Accounts receivable b/.............	335,030	335,030	225,104	109,925
Total Current Assets.............	455,829	409,245	258,020	123,778
Investments				
U.S. Government securities (par)...	6,092,475	5,956,975	5,626,960	6,015
Unamortized premium (+) or discount (-)......................	-3,934	-3,934	-3,624	-310
Total Investments................	6,088,541	5,953,041	5,623,336	5,705
Other Assets b/				
Mortgage notes and sales contracts.	176,961	150,753	43,588	135,837
Acquired security-real property....	1,796,923	2,010,531	2,084,657	299,250
Mortgage notes assigned under terms of insurance................	3,002,426	3,942,781	1,098,593	3,073,677
Defaulted Title I notes............	49,889	45,074	...	41,527
Appropriations receivable..........	667,459	943,457	...	1,157,333
Other assets.......................	59,252	80,217	39,358	60,821
Total Other Assets................	5,752,910	7,172,813	3,266,196	4,768,445
Total Assets....................	12,297,280	13,535,099	9,147,552	4,897,928

	ACTUAL 1989	ESTIMATE 1990	MMI/CMHI ESTIMATE 1991	GI/SRI ESTIMATE 1991
		(Dollars in Thousands)		
LIABILITIES				
Accounts payable and accrued liabilities	$1,058,969	$1,058,969	$642,328	$416,641
Deferred credits	4,491,061	4,830,446	4,946,450	307,565
Debentures payable (issued and outstanding	295,380	542,477	1,410	510,740
Outstanding borrowings	4,451,268	6,018,000	...	6,863,000
Loss Reserve	5,122,000	4,917,647	2,718,146	2,176,384
Reserve for foreclosures costs on defaulted mortgage notes	33,725	33,725	16	33,709
Total liabilities	15,452,403	17,401,264	8,308,350	10,308,039
Government Equity				
Unexpended budget authority:				
Unobligated balance	5,312,066	5,679,982	5,144,987	233,911
Undelivered orders	...	...	88,343	20,712
Unfinanced budget authority:				
Borrowings	...	-550,000	...	-650,000
Unfilled customers orders	-4,317,726	-4,657,111	-4,940,752	-87,592
Invested capital	-4,149,463	-4,339,036	546,624	-4,927,142
Total Government Equity	-3,155,123	-3,866,165	839,202	-5,410,111
Total Liabilities and Government Equity	12,297,280	13,535,099	9,147,552	4,897,929

a/ Financial condition is based on GAAP. 1989 data is preliminary pending completion the annaul audit.

b/ Less allowance for losses.

PROGRAM HIGHLIGHTS BY FUND

For budget and financial purposes, the mortgage and loan insurance activities of the Federal Housing Administration are grouped under existing legislation into the following four separate funds: the Mutual Mortgage Insurance Fund, the Cooperative Management Housing Insurance Fund, the Special Risk Insurance Fund, and the General Insurance Fund. For appropriation account purposes, the Funds are currently consolidated into one account, the FHA Fund. Starting in 1991, the Department proposes to split the FHA Fund into two separate appropriation accounts: the MMI/CMHI Fund and the GI/SRI Fund. Each of the four individual funds, however, will continue to be treated as a separate entity in terms of income, expenses and net reserve position as described below.

1. Mutual Mortgage Insurance Fund

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Millions)			
Mortgage Insurance Written					
Units	657,890	645,481	702,533	733,256	+30,723
Amount	$39,541	$40,222	$43,793	$46,880	+3,087
Government Equity	1,582	2,968	1,191	819	-372
Mortgage Activity (units)					
Assignments	7,582	1,512	7,600	...	-7,600
Conversions and liquidations	4,227 a/	2,389	2,740	2,814	+74
On Hand, end of year	34,262	30,028	39,122	36,308	-2,814
Property Activity (units)					
Acquisitions	78,041	76,574	80,311	88,334	+8,023
Sales	73,618	77,401	79,376	78,471	-905
On Hand, end of year	49,417	46,831	50,352	60,215	+9,863

a/ Includes prior year adjustment.

Mortgage Insurance Programs

The Mutual Mortgage Insurance Fund is the largest of the four insurance funds and includes the Section 203 Basic Single Family Mortgage Insurance Program. Mortgagors under this program are entitled, at termination of their mortgages, to a rebate of premiums (dividends) paid into the fund that are not required for expenses or losses. Through September 30, 1989, such dividends declared to homeowners totaled $1,558.6 million.

During fiscal year 1989, the Fund booked a loss of $22.7 million, compared to a loss of $1.4 billion for 1988. The losses in 1988 reflected an increase in the loss reserves of $1.2 billion while the 1989 statements showed a decrease in such reserves of $248 million, based on a decline of delinquent mortgages outstanding. The losses experienced by the Fund in 1989 are due primarily to the high losses incurred on the sale of properties. The Budget assumed that claims will increase in 1990 and 1991, thus increasing the net operating losses for those years. These estimates clearly point for the need of a thorough study of the financial practices inherent with the operation of this program and the need of corrective steps that must be taken to protect the financial integrity of the Fund.

The changes occurring in Government equity in this fund follow:

MUTUAL MORTGAGE INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Income................................	$1,847,156	$1,953,674	$2,025,780
Expense...............................	-1,705,444	-1,976,464	-1,913,523
Increase (+) or Decrease (-) In Valuation Allowances			
Allowance for estimated future losses on acquired properties, notes and accounts receivable..................	-164,363	-214,880	-346,269
Net Income..........................	-22,651	-237,670	-234,012
Participation Payments................	-169,660	-153,000	-137,520
Other adjustments.....................	-1,664,609	...	...
Change in Government Equity...........	-1,856,920	-390,670	-371,532
Balance of Government Equity..........	1,581,893	1,191,223	819,691

2. Cooperative Management Housing Insurance Fund

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 VS 1990
Mortgage Insurance Written					
Units....................................	...	...	...	...	...
Amount...................................	...	...	...	...	...
Government Equity........................	$19	$17	$20	$20	...
Mortgage Activity (units)					
Assignments..............................	...	...	...	...	...
Conversions and liquidations.............	...	...	...	...	...
On Hand, end of year.....................	153	153	153	153	...
Property Activity (units)					
Acquisition..............................	...	...	...	...	...
Sales....................................	...	...	...	...	...
On Hand, end of year.....................	...	...	...	...	...

Mortgage Insurance Programs

The Cooperative Management Housing Insurance Fund is also a mutual fund and provides mortgage insurance for management-type cooperative and supplementary loans under Section 213. Participation payments total $94.6 million and insurance was written on 75,750 Section 213 units representing $957.8 million through September 30, 1989. Of the insurance written, $485.1 million remained outstanding as of September 30, 1989. The changes occurring in Government equity in this Fund follow:

COOPERATIVE MANAGEMENT HOUSING INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSES

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in thousands)	
Income	$4,087	$3,834	$3,596
Expense	-1,232	-1,208	-1,219
Increase (+) or Decrease (-) In Valuation Allowance			
Allowance for estimated future losses on acquired properties, notes, and accounts receivable	...	+83	+69
Net Income	2,855	2,709	2,446
Participation Payments	-2,600	-2,500	-2,500
Other adjustments	331	...	...
Decrease in Government Equity	586	209	-54
Balance of Government Equity	19,356	19,565	19,510

3. Special Risk Insurance Fund

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 VS 1990
		(Dollars in Millions)			
Mortgage Insurance Written a/					
Units	2,456	1,454	11,242	31,257	+20,015
Amount	$73	$56	$462	$1,264	+$802
Government Equity	-1,524	-1,635	-1,695	-1,846	-151
Mortgage Activity (units)					
Assignments	1,339	889	2,193	589	-1,604
Conversions and liquidations	703	884	2,801	2,817	+16
On Hand, end of year	49,638	48,768	49,030	46,802	-2,228
Property Activity (units)					
Acquisitions	4,093	4,242	4,072	3,738	-334
Sales	4,844	4,793	4,185	4,174	-11
On Hand, end of year	3,502	2,254	3,389	2,953	-436

a/ 1990 and 1991 figures include the refinancing of high-interest Section 235 mortgages.

The Special Risk Insurance (SRI) Fund was created by the Housing and Urban Development Act of 1968 to finance mortgage insurance operations for: mortgages in older, declining urban areas which otherwise would not be eligible for mortgage insurance (Section 223(e)); high-risk mortgagors who would not be eligible for mortgage insurance, but who could become acceptable credit risks with housing counseling (Section 237); mortgagors receiving interest reduction payments (Section 235 and 236); mortgages covering experimental housing where strict adherence to State or local building regulations is not observed (Section 233); and mortgages in military impacted areas (Section 238).

Mortgage Insurance Programs

The 1968 Act also provided for the transfer of $20 million from the General Insurance Fund to the Special Risk Insurance Fund since operating costs generally exceed income from fees and premiums during the first few years a new insurance program is in operation. In 1969, the first year of operation, the Special Risk Insurance Fund was capitalized with $5 million advanced from the General Insurance Fund. The remaining $15 million authorized by the 1968 Act was transferred to the Fund during 1970 and 1971.

The Act also authorized appropriations to cover insurance losses to this Fund because of the high risk nature of the mortgages insured. Prior to 1976, claim payments in excess of fund balances were borrowed from the U.S. Treasury. These borrowings totaled $2,031 million as of September 30, 1976. In 1976, $100 million was appropriated to this Fund and an additional $623.2 million was appropriated in 1977. The amount appropriated in 1977 was utilized to reduce the outstanding Treasury borrowings to a cumulative total of $1,617.2 million. Since 1977, additional borrowings have totaled to $764.8 million and $432 million has been repaid which increased the outstanding Treasury debt to $1,950 million as of September 30, 1989. The Budget assumes that the fund will need to refinance borrowings which will mature in 1990 and 1991 in the amount of $471 million and $283 million respectively. The changes in Government equity follow:

SPECIAL RISK INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSES

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Income..................................	$117,948	$103,804	$95,485
Expense.................................	-238,814	-302,491	-350,071
Increase (+) or Decrease (-) In Valuation Allowances			
Allowance for estimated future losses on acquired properties, notes, and accounts receivable..................	+62,565	-31,235	+38,041
Net income or loss (-)..............	-58,301	-229,922	-216,545
Other adjustments.......................	-329,358	...	...
Appropriation...........................	217,304	58,294	65,692
Increase or Decrease (-) in Government Equity......................	-170,355	-171,628	-150,853
Balance of Government Equity (deficit).	-1,523,808	-1,695,436	-1,846,289

4. General Insurance Fund

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Millions)		
Mortgage Insurance Written					
Units....................	119,137	150,466	143,004	145,123	-2,119
Amount...................	$6,142	$6,558	$6,766	$7,056	+$289
Government Equity.........	-3,232	-339	-3,382	-3,564	-182
Mortgage Activity (units)					
Assignments..............	29,681	65,160	118,047	31,426	-86,621
Conversion and liquidation............	12,960	8,992	12,358	12,424	+66
On Hand, end of year....	160,944	244,265	266,633	285,635	+19,002
Property Activity (units)					
Acquisition..............	10,327	15,484	9,943	9,235	-708
Sales....................	11,478	13,664	11,754	16,322	+4,568
On Hand, end of year....	15,256	12,050	13,445	6,358	-7,087

Mortgage Insurance Programs

The General Insurance Fund includes programs for the insurance of loans on property repair and improvements; on basic and special purpose multifamily housing; on urban renewal, middle income and armed forces housing; and on war and defense housing. Insurance of group practice medical facilities and nonprofit hospitals are also included in this Fund as well as insurance of supplemental loans for the financing of improvements and additions to multifamily projects, nursing homes and group practice medical facilities. As part of the Secretary's ongoing reform of the FHA Fund, Title X insurance of loans for land development and the coinsurance program were terminated in 1989 and in early 1990 respectively. The major program included in this fund is Section 221 Moderate Income Housing.

Government equity was in a negative position of $3.2 billion at the end of 1989, and is expected to further deteriorate to $3.6 billion by the end of 1991.

Appropriations in 1989 and 1990 will partially offset the expected losses in those years. The changes occurring in Government equity this fund follow:

GENERAL INSURANCE FUND
SUMMARY STATEMENT OF INCOME AND EXPENSE

	ACTUAL 1989	ESTIMATE 1990 (Dollars in Thousands)	ESTIMATE 1991
Income	$495,167	$518,802	$538,774
Expense	-718,440	-750,840	-1,139,458
Increase (+) or Decrease (-) in Valuation Allowances			
Allowance for estimated future losses on acquired properties and notes	-260,686	-484,713	-47,170
Net Income or loss (-)	-483,959	-716,751	-647,854
Prior year adjustments	-3,283,490	...	...
Appropriations	687,875	567,797	465,550
Change in Government Equity	-3,079,574	-148,954	-182,304
Balance of Government Equity (deficit)	-3,232,564	-3,381,518	-3,563,822

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING FOR THE ELDERLY OR HANDICAPPED PROGRAM
(Section 202)

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Program Levels					
Annual Limitation on Lending					
Enacted/Proposed..........	$480,106	$32,000	$472,664	$282,543	-$190,121
Reservations					
Units.....................	9,173	...	7,689	3,967	-3,722
Amount....................	$477,722	$32,000	$472,664	$282,543	-$190,121
Asset Sales					
Face Amount...............	NA	633,500	...	...	...
Net Proceeds..............	NA	500,271	...	...	...
Construction Activity (Units)					
Starts....................	7,989	10,000	15,000	12,000	-3,000
Completions...............	8,080	11,500	9,000	14,000	+5,000
Budget Authority............	$394,097	...	$412,969	$228,016	-$184,953
Budget Outlays..............	433,223	-$143,700 a/	391,651	413,756	+22,105
Section 202 Credit Voucher Program:					
Appropriation.............	NA	77,876	...	...	...
Units Supported...........	NA	7,000	...	...	...

a/ Represents revised estimate consistent with Department's amended proposals submitted in April 1989.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget proposes a total loan limitation of $282.5 million for 1991. This will support an estimated 3,097 units for the elderly and 870 units for the non-elderly handicapped. The loan limitation requested for 1991 includes $75 million for amendments to prior-year reservations.

In addition, the Department is proposing assistance not requiring direct loans, for the elderly and handicapped within the Annual Contributions for Assisted Housing account. This includes 1,700 leased units for the elderly under Section 8 and 1,300 leased units for the non-elderly handicapped under Section 202(h). Included within the latter 1,300 units are 1,000 units designated for the chronically mentally ill homeless as a component of the Homeownership and Opportunity for People Everywhere (HOPE) initiative. These additional leased units will not require development financing through the Section 202 direct loan program, but will use Section 8 and Section 202(h) rental subsidy assistance. The leasing program is more fully explained under the Annual Contributions portion of these Justifications.

Housing for the Elderly or Handicapped Program

The table below presents a brief summary of the Department's 1991 proposals for providing assistance to the elderly and handicapped:

	Number of Units
Section 202 New Construction Direct and Assistance:	
Section 8/202 units for the elderly..........................	3,097
Section 202(h) units for the handicapped.....................	870
Total new construction units.............................	3,967
Rental Assistance under Annual Contributions:	
Section 8 leased existing units for the elderly.............	1,700
Section 202(h) leased units for the mentally ill............	300
Section 202(h) set-aside for the chronically mentally ill homeless (HOPE)...	1,000
Total leased existing units..............................	3,000
Total units for elderly or handicapped...............	6,967

2. CHANGES FROM 1989 ESTIMATE INCLUDED IN 1990 BUDGET

1989 Funding. In April 1989, a reduction of $4.7 million in loan and budget authority was proposed as part of an amendment to the 1990 Budget. Because the reduction was targeted to amendment funding, there would have been no impact on the number of unit reservations (9,500) units) but outlays would have decreased by $27 thousand in 1989 and $1.2 million in 1990. However, the reductions were not enacted.

A total of $477.7 million of loan authority was reserved during 1989--utilizing all but $2.4 million of the limitation available for the year. There were 9,173 unit reservations, just 307 less than the Budget estimate.

Budget authority required--essentially representing the net of Treasury borrowing and income from loan repayments--was $394.1 million for 1989 as compared with an estimate of $424.3 million. The 1989 actual was lower than the estimate because interest income from loan repayments was somewhat higher than the amount projected in the Budget.

Construction Activity. Construction starts in 1989 were about 2,000 units lower than the Budget figure--7,989 units compared with an estimate of 10,000 units. Actual completions also fell short of projections--8,080 units versus 11,500. Pipeline problems were responsible for much of the lags in activity. The Budget estimate were based on the assumption that the Department's efforts at freeing-up the backlog of pipeline projects would result in more units starting and completing than were actually realized. Current efforts at addressing the pipeline problem are discussed more fully later in the Justification.

Outlays. Despite the fact that starts and completions fell below projected rates, outlays were higher than the estimate. The Budget assumed an outlay of $340.4 million for 1989 but actual outlays were $433.2--$92.8 million more. The 1989 outlay estimate was based on the 1988 rate of disbursement. However, during 1989, the draw-down appears to have accelerated, resulting in a much higher outlay than expected. In order to permit stalled projects to continue, some program requirements were relaxed during the year, which may have contributed to the speed-up in spending.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget proposed a Credit Voucher program to replace the direct loan program. The program level was estimated to support 7,000 units. Congress did not approve this approach and instead provided a net loan limitation of $472.7 million. The 1990 Budget also proposed an asset sale which the Congress did not approve. The changes in budget authority and outlays are a direct result of the final Congressional action.

Housing for the Elderly or Handicapped Program

As proposed in the Department's Operating Plan submitted to the Appropriations Committees, the 1990 limitation would support a total of 7,689 units, of which 5,593 will be for the elderly, and 2,096 will be for the non-elderly handicapped. This elderly, non-elderly split reflects approximately 25 percent of the loan authority in support of projects for the non-elderly handicapped consistent with the terms of the 1990 Appropriations Act. The Operating Plan is based on a reprogramming proposal to facilitate the movement of projects in the processing/construction pipeline. Details of the proposal are discussed below.

Section 202 Pipeline. The unacceptably high level of Section 202 units in the pre-construction pipeline came about for a variety of reasons including (1) rents which had been capped arbitrarily since 1982, (2) holding projects to rents in effect when they were funded, (3) delays in publishing updated Fair Market Rents and (4) much smaller project sizes due to reduced funding levels. Other factors, beyond HUD's control, have also adversely affected pipeline movement. These are (1) difficulty in finding suitable sites for handicapped proposals, (2) difficulties in finding acceptable contractors, (3) community opposition, (4) litigation, and (5) rent reductions in economically declining areas. One or all of these contributed to the difficulty in achieving financial feasibility.

To accelerate the production of units "stalled" in the pipeline, the Department has proposed a reprogramming which would shift $55 million from production funding to amendment funding. The proposed shift of $55 million will result in an approximate 679 unit reduction in the number of new reservations possible in 1990 (from the amount originally appropriated); but will allow about 2,500 units stalled in the pipeline to proceed toward completion. A proposed $100 million shift in Section 8/202 funds from new construction to amendment funding will also aid in this effort.

The Department has also instituted a variety of administrative procedures to help in clearing out the pipeline. The changes in the construction starts are a result of this effort.

These administrative changes include:

1. Allowing 1986 and prior years fund reservations to use 1987 Fair Market Rents if they started by end of October 1989.
2. Granting waivers for any borrower wishing to use a negotiated construction contract.
3. Granting waivers on the use of an optional interest rate, which was lower than the 1989 interest rate.
4. Currently, permitting pipeline cases funded in 1987 and prior to use the 1988 Fair Market Rents.

These changes will assist in increasing the construction starts from the 10,000 estimated in last year's budget to a current estimate of 15,000 units. While more completions than would otherwise occur will result from these actions, they will not increase the completion estimate in 1990 which has been re-estimated downward to 9,000 units--a more realistic estimate than the 11,500 shown last year.

In addition, an intensive review of the entire procedure for establishing the new construction Fair Market Rents is under way. Also, the Department is analyzing all of the cost containment policies and guidelines and will make any recommended changes shortly.

EXPLANATION OF INCREASES AND DECREASES

The decrease in the loan limitation, from the $472.7 million enacted in 1990 to the $282.5 million being proposed for 1991, reflects the Administration's increased emphasis on the existing housing stock as a resource for housing the poor. The Budget requests loan authority in support of 3,967 units of new construction. However, the Budget also includes another 3,000 units of leased housing for the elderly and handicapped under Annual Contributions programs--for a total of 6,967 units in 1991.

The decrease in 1991 construction starts merely reflects a return to "normal" following the Department's attempts to speed up the processing pipeline. Starts activity is still assumed to be high in 1991--12,000 units--but is not expected to match the 15,000 unit starts anticipated for 1990.

Housing for the Elderly or Handicapped Program

Completions are projected to reflect current construction pipeline efforts in that the number of completions is anticipated to rise from 9,000 units in 1990 to 14,000 units in 1991. The jump in 1990 starts will translate into higher 1991 completions. The proposed use of leased existing units for the elderly and handicapped will not be reflected in Section 202 activity. These completions (lease contracts) will be accounted for under Annual Contributions programs.

PROGRAM DESCRIPTION

The Direct Loan Program. The Housing for the Elderly or Handicapped program is authorized by Section 202 of the Housing Act of 1959, as amended. The program provides direct loans to nonprofit organizations sponsoring the construction and management of rental housing for the elderly or handicapped. The original program provided direct Federal loans at 3 percent interest for constructing, rehabilitating or altering rental housing for the elderly or handicapped whose incomes were above the level set for admission to public housing, but below that needed to pay rent for adequate private housing. No new loans were reserved under the original Section 202 program after 1970 since the new Section 236 Rental Housing Assistance program included housing for the elderly or handicapped. The Section 202 program was revised by Section 210 of the Housing and Community Development Act of 1974 and the Housing and Community Development (HCD) Act of 1987. This changed the program to:

1. Provide direct loans at interest rates based on the Treasury's average borrowing rate on all debt, plus an allowance to cover administrative costs and possible losses. The HCD Act of 1987 changed this to the average Treasury borrowing of 30 year notes made during the last quarter of the fiscal year preceding the year in which the loan is made. The estimate of the interest rate to be charged during 1991 is 6.5 percent.

2. Limit the aggregate loans to be made in any fiscal year to amounts approved in Appropriation Acts.

3. Authorize a new project-based subsidy program for the handicapped under Section 202 in place of Section 8. The Act specified that Section 8 subsidies were to be used for the handicapped until funds were made available for the new program. Appropriations were provided in 1989 and 1990 amounting to $355.5 million and $362.4 million, respectively, within the Annual Contributions for Assisted Housing account for rental assistance under this program.

4. Direct that the program be used in conjunction with the Section 8 Housing Assistance Payments program or the new Handicapped Subsidy program by requiring that the availability of monthly assistance payments under Section 8 or the handicapped program be considered to determine if the project is feasible and marketable. The Budget assumes that elderly housing loan approvals will involve Section 8 program assistance and that handicapped housing will receive assistance utilizing the subsidy under the handicapped program.

5. Direct that project unit costs not be determined by the mortgage limits applicable to housing projects insured under Section 231 of the National Housing Act, the Housing for Elderly Mortgage Insurance program.

Cost containment restrictions initiated in 1982 have substantially reduced construction costs. However, some of these restrictions may have contributed to the problems associated with the pre-construction pipeline. The Department is currently studying the policies and guidelines to determine if modifications and/or changes are needed. Among those issues being reviewed are the requirement for including 25 percent efficiency units, requirements concerning common areas, which may limit services to the frail elderly, and requirements concerning elevators.

The Department requires competitive bids on projects receiving direct loans of more than $2 million that cannot achieve rent levels below 110 percent of the applicable Section 8 New Construction Fair Market Rents in effect at the time of fund reservation. Sponsors that are labor organizations are exempt from this requirement.

The projects receive Section 8 or handicapped program subsidies to enable low-income households to afford the rents in these projects. The projects must be designed to provide a range of necessary services for the occupants. These services include: health, continuing education, welfare, recreation, counseling, referral, transportation to social services, and means to encourage and assist occupants to use these services. Projects also may include essential service facilities such as dining facilities and multipurpose community rooms. The cost of "movables" such as equipment for on-site management offices, lounges, lobbies, and kitchen and related areas are eligible project costs. Such related facilities are restricted to essential services to maintain "Fair Market Rent" limits.

Housing for the Elderly or Handicapped Program

Section 202 funds (Section 202(h)) also are used for non-elderly handicapped projects (including facilities for the mentally ill homeless). This funding can be used to demonstrate innovative methods to meet the special needs of the nonelderly handicapped by providing a variety of housing options. These range from small group homes to independent living complexes. This housing must provide for access to the community-at-large, including employment opportunities. Such projects will receive the new handicapped subsidy in lieu of the Section 8 subsidy starting in 1989.

Once loan authority is assigned to the HUD Field offices, invitations for applications are published. The review of applications focuses on the financial capability of the applicants and their previous experience with housing or related facilities. When sponsors apply, they must show they control a project site. However, sponsors proposing housing primarily for the non-elderly handicapped need not control a site until after the application is initially selected.

Included in HUD's review of applications is an analysis of the sufficiency of working capital available to finance the organization, planning and completion of project construction and to provide operating reserves during the start-up of projects. This includes one-half of 1 percent of the loan, not to exceed $10,000. Along with financial resources, applicants must demonstrate that they can successfully manage a project and provide the required special services needed by elderly or handicapped persons. Unused funds may be repaid to the sponsor after the end of the third year of operation once a project is occupied and its successful operation is assured. Additional assistance during the crucial start-up period is available where needed through the Section 106(b) Nonprofit Sponsor Assistance Loan program which makes available interest-free loans to nonprofit sponsors. These "seed money" loans are available to defray some of the start-up costs associated with project planning and are repaid by the sponsor utilizing the initial proceeds of the Section 202 construction loan.

Once a project is approved for both a Section 202 direct loan and Section 8 or handicapped subsidy assistance, the project sponsor can begin construction and funds are paid to the borrower as work is completed.

LEASED HOUSING

This aspect of the Department's program for assisting the elderly and handicapped is addressed in the Annual Contributions Justifications.

PROGRAM ACTIVITY

A total of 9,173 unit reservations were made in 1989. The Department expects that 7,689 units will be reserved in 1990 and 3,967 direct loan units will be reserved in 1991. Construction was started on 7,989 units in 1989 and starts are estimated at 15,000 units in 1990 and 12,000 in 1991. Construction was completed on 8,080 units in 1989. Completions are estimated at 9,000 units in 1990 and 14,000 units in 1991.

Estimated reservation and construction activities are listed below:

ESTIMATED UNIT RESERVATION AND CONSTRUCTION ACTIVITIES

	ACTUAL 1989	ESTIMATE 1990 (In Units)	ESTIMATE 1991
Unstarted reservations on hand, start of year	33,683	34,622	26,811
Reservations made during year	9,173	7,689	4,000
Subtotal, reservations	42,856	42,311	30,778
Cancellations during year	-245	-500	-500
Construction started during year	-7,989	-15,000	-12,000
Unstarted reservations on hand, end of year	34,622	26,811	18,278
Under construction, start of year	8,922	8,831	14,831
Construction started during year	7,989	15,000	12,000
Subtotal, under construction	16,911	23,831	26,831
Construction completions during year	-8,080	-9,000	-14,000
Under construction, end of year	8,831	14,831	12,831

To secure more reliable program data, information pertaining to the Section 202 pipeline is now being drawn from the Multifamily Insurance and Direct Loan System (MIDLIS). Previously, information relating to the outstanding inventory of unstarted/uncompleted Section 202 units had to be obtained from the Management Information System (MIS) serving the Section 8 program.

Housing for the Elderly or Handicapped Program

The use of MIDLIS data changed our picture of the Section 202 pipeline somewhat. There had been more starts than previously noted. The lower inventory of unstarted reservations (compared with 1990 Budget data) reflects this. The inventory of projects under construction, on the other hand, closely approximates the MIS data.

PROGRAM FINANCING

The Section 202 program is financed by a combination of net fund balances including loan repayments, interest income and borrowings from the U.S. Treasury.

The following table reflects the cumulative enacted or requested borrowing authority, and the use of authority through the end of 1991:

STATUS OF BORROWING AUTHORITY

CUMULATIVE ACTIVITY END OF YEAR:	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Total borrowing enacted or requested....	$9,242,442	$9,715,086	$9,997,629
Use of borrowing authority..............	-6,681,000	-6,965,167	-7,378,732
Balance of borrowing authority available...............................	2,561,442	2,749,919	2,618,897

Amounts reserved for projects are not actually borrowed from the Treasury until the project reaches the construction stage. Therefore, the total funds borrowed from the Treasury at any time will be substantially less than the total amount of borrowing authority required to finance all loan reservations. It takes approximately 12 to 18 months after funds are reserved before construction starts. The construction period can last approximately 18 to 36 months. During this period, funds are borrowed from the Treasury for construction expenses to the extent that net income is insufficient.

USE WITH OTHER HUD PROGRAMS

The revised Section 202 program is administered in conjunction with the Section 106(b) Nonprofit Sponsor Assistance program, the Section 8 Housing Assistance Payments program and the new Section 202(h) Handicapped Subsidy program. In addition, a Congregate Housing Services program is being conducted in existing and newly constructed Section 202 projects.

1. Section 106(b) Nonprofit Sponsor Assistance Program. Section 106(b) Nonprofit Sponsor Assistance loans provide a portion of the start-up funds which many nonprofit sponsors lack for such expenses as preliminary surveys and market analyses, preliminary site engineering and architectural fees and site control. These loans are interest-free and may be used to cover the costs of planning or obtaining initial financing for the construction or rehabilitation of Section 202 projects. To ensure the likelihood of financial stability, Section 106(b) loans may not exceed 80 percent of the total eligible start-up costs. Program regulations limit loan approvals to $50,000 each for Section 202 projects. The sponsor must provide at least 20 percent of the start-up costs which are repaid from the initial proceeds of the Section 202 loan. The two programs are used in tandem to provide maximum assistance to nonprofit sponsors. The details of this assistance are discussed in the Nonprofit Sponsor Assistance section of these Justifications.

2. Section 8 Housing Assistance Payments Program. In authorizing the revised Section 202 program, the Housing and Community Development Act of 1974 specifically provided that the program be used in conjunction with the Section 8 program and directed that the availability of Section 8 assistance payments be considered when determining Section 202 project feasibility and marketability. The details of Section 8 assistance are discussed in the Annual Contributions for Assisted Housing section of these Justifications.

3. Handicapped Subsidies (Section 202(h)). Language in the HCD Act of 1987 authorizing a new program for the handicapped under Section 202(h) broke this bond between Section 8 and Section 202. It was believed that there were factors inherent in the Section 8 program which were detrimental to producing subsidized units for the handicapped. With increased emphasis on supportive services, the new program could be more attuned to the needs of the non-elderly handicapped.

producing subsidized units for the handicapped. With increased emphasis on supportive services, the new program could be more attuned to the needs of the non-elderly handicapped.

The 1989 and 1990 Appropriations Acts included funding for the new program and the Department is requesting additional funding for 1991. As with the program for the elderly, the 1991 Budget also assumes use of leased existing units in serving the handicapped--to be funded under Annual Contributions.

4. Congregate Services Program. A Congregate Housing Services program has been conducted in existing and newly constructed Section 202 projects. It began in 1980 under the Housing and Community Development Amendments of 1978. The demonstration program included full meal services and those additional support services such as housekeeping, personal assistance or other services deemed essential for temporarily disabled, handicapped elderly, or other handicapped persons to maintain independent living standards and help prevent unnecessary institutionalization. The demonstration status of the program was removed in the Housing and Community Development Act of 1987 (P.L. 100-242). A final report evaluating the demonstration has been completed and was made available in 1989. The details of this program are discussed in the Congregate Services section of these Justifications.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

NONPROFIT SPONSOR ASSISTANCE PROGRAM
(Section 106(b))

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Loan Reservations					
Number of reservations.........	73	70	82	40	-42
Amount (gross).................	$960	$910	$1,069	$530	-$539
Federal Credit Limitation:					
Enacted or Proposed............	960	910	1,100	530	-570
Approp. Act Reduction (Sec 517)	...	...	-17	...	+17
Sequestration..................	...	...	-14	...	+14
Net Available..................	960	910	1,069	530	-539
Balance Available in Loan Fund, End of Year....................	3,412	2,579	2,963	3,138	+175
Budget Outlays (Net)............	-61	110	110	100	-10

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

A loan reservation limitation of $530 thousand is requested for 1991. The proposed loan level will be funded from balances available in the Nonprofit Sponsor Assistance program from previous appropriations and, consequently, no appropriation is required for 1991. The proposed limitation will provide start-up loans or "seed money" for an estimated 40 projects that receive permanent financing under the Section 202 Housing for the Elderly or Handicapped program and where the sponsor requests such assistance.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Estimated reservations were virtually the same as actual activity for 1989. In the 1990 Budget, HUD assumed that 75 projects would receive a total of $960 thousand—actual reservation amounted to $960 thousand on 73 projects.

End of year fund balances in the Loan Fund were $513 thousand more than expected. The $513 thousand difference was the net result of loan repayments being $17 thousand less than estimated, but recaptures being $530 thousand higher. Loan disbursements did not proceed at the rate projected and net outlays did not materialize. HUD estimated that net outlays would approximate $100 thousand for the year. Instead, there was a net receipt of $61 thousand.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget included a request for a $910 thousand loan limitation under the nonprofit Sponsor Assistance program. This request was consistent with a Section 202 program level of 7,000 new construction units being proposed for 1990 under a Credit Voucher initiative. However, Congress: (1) rejected the voucher proposal, (2) provided sufficient direct loan authority to fund 7,689 Section 202 units, and (3) enacted a level of nonprofit loan assistance ($1,069 thousand) which was commensurate with the Section 202 unit total.

The $1,069 thousand provided for 1990 in the Appropriations Act is net of a $17 thousand reduction pursuant to Section 517 and a $14 thousand sequester pursuant to deficit reduction requirements.

Nonprofit Sponsor Assistance Program

The higher fund balance coming out of 1989 referred to above, partially offset by the increase in program level, accounts for the $384 thousand increase in end of year available funding. Outlays are still expected to total $110 thousand in 1990.

EXPLANATION OF INCREASES AND DECREASES

A loan limitation of $530 thousand is being requested for 1991 under the Nonprofit Sponsor Assistance program--$539 thousand less than the amount provided in 1990. This lower request reflects the reduced level of new construction being requested under the Section 202 program.

The 1991 Budget request is based on the 3,967 unit level of new construction being proposed for Section 202--a 3,722 unit decrease from the 7,689 units funded in 1990. A total of 6,967 units are proposed for the elderly or handicapped in the the Budget for 1991. However, 3,000 of the units are proposed to be leased existing housing which require neither Section 202 development nor nonprofit sponsor loan assistance.

The lower program level, combined with a projected increase in loan repayments, is expected to result in increasing fund balances from $2,963 thousand at the end of 1990 to $3,138 thousand by the close of 1991. Outlays are estimated to decline slightly from $110 thousand to $100 thousand.

PROGRAM DESCRIPTION

Section 106(b) loans are authorized under the Housing and Urban Development Act of 1968 and provide a portion of the start-up costs which many nonprofit sponsors traditionally lack. These loans are interest-free and may be used to cover the costs of planning for constructing or rehabilitating housing units assisted under the Section 202 Housing for the Elderly or Handicapped program. Included among the eligible costs are such items as preliminary surveys and market analyses, preliminary site engineering, architectural fees, and expenses related to obtaining site control. Under certain conditions, these loans also may be used for site acquisition.

To ensure the likelihood of financial stability, Section 106(b) limits the amount of the loan to 80 percent of the total eligible start-up costs with the project sponsor providing the other 20 percent. In addition, program regulations limit loan approvals to a maximum of $50 thousand for each project. The start-up costs are repaid from the first advance for construction costs under the Section 202 direct loan program. Current program regulations limit loan eligibility to private nonprofit sponsors of Section 202 projects.

PROGRAM ACTIVITY

Reservation activity under this program is contingent on meeting requirements of the Section 202 program. Appropriations language limits the amount of gross reservations which may be made consistent with the Federal Credit Control System. Construction activity on projects assisted with these planning loans is explained in the Section 202 program justifications. The following table provides the status of fund balances for fiscal years 1989, 1990 and 1991:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Balance available, start of year............	$3,244	$3,412	$2,963
Loan repayments.............................	598	620	705
Recovery of prior year obligations..........	530	...	...
Subtotal of unreserved balances.............	4,372	4,032	3,668
Loan reservations...........................	-960	-1,069	-530
Balance available, end of year..............	3,412	2,963	3,138

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING COUNSELING ASSISTANCE

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Program Level:					
HUD-approved counseling agencies...	500	500	500	500	...
Number of counseling agencies funded in year....................	285	...	200	285	+85
Number of clients counseled (est.).	34,970	...	34,460	34,980	+520
Obligations.........................	$3,497	...	$3,446	$3,498	+$52
Appropriations (Budget Authority):					
Enacted or proposed...............	3,500	...	3,500	3,500	...
Approp. Act Reduction (Sec. 517)..	...	...	-54	...	+54
Proposed transfer to Research and Technology........................	...	...	...	-2	-2
Total..........................	3,500	...	3,446	3,498	+52
Budget Outlays.....................	3,269	$3,500	3,500	3,500	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

An appropriation of $3.5 million is requested for the Housing Counseling Assistance program in 1991. This program is used to support comprehensive housing counseling services.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Obligations were the same as estimated ($3.5 million), however, actual outlays of $3.3 million were $231 thousand less than the original estimate of $3.5 million as a result of a somewhat slower than anticipated disbursement rate.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget proposed no funding for the program. However, the 1990 Appropriations Act included a net appropriation of $3.4 million for comprehensive housing counseling services. The $3.4 million appropriation will fund an estimated 200 counseling agencies. The decline in the number of agencies funded in 1990 is a result of an increase in the amount of a single, nationwide grant from $450 thousand to $1 million. This grant will extend training and housing counseling services to all FHA and conventional mortgage homeowners in the country. This grant will be awarded as a result of a nationwide request for a cooperative agreement which will be advertised in a Notice of Funds Availability (NOFA) in the Federal Register during March.

The Budget assumed that the $3.4 million would be available in 1990 to provide grants to approved counseling agencies and, to the extent possible and within available funds, implement the Emergency Homeownership Counseling program (Sec. 106(c) of the HUD Act of 1968, as amended). The authority for the Emergency counseling program expires at the end of 1990 and the 1991 Budget does not prooose extending this authority.

The Department does not expect any change in the number of HUD-approved counseling agencies from the 500 approved in 1989.

EXPLANATION OF INCREASES AND DECREASES

The increases in fiscal year 1991 reflect the proposed continuation of funding for the Housing Counseling Assistance program.

Housing Counseling Assistance

PROGRAM DESCRIPTION

Section 106(a)(1)(iii) and Section 106(a)(2) of the Housing and Urban Development Act of 1968, as amended, authorize a program to provide a broad range of counseling services to tenants and homeowners. Based on Section 106(a), the Department certifies and/or recertifies local public and private nonprofit agencies which provide HUD-approved counseling assistance. The Secretary is authorized to provide and/or contract with public or private organizations to provide information, advice, and technical assistance. This may include counseling and advice to tenants and homeowners concerning property maintenance, financial management and other appropriate matters to assist them in improving their housing conditions and in meeting their homeownership responsibilities.

Local public and private nonprofit agencies apply to HUD to become approved counseling agencies. Organizations receive grants to provide comprehensive housing counseling services including default counseling for homeowners, prepurchase counseling for prospective homeowners and preoccupancy, delinquency and displacement counseling for renters.

Counseling also is an eligible activity under the Community Development Block Grant program, and homeownership counseling would be an eligible activity under the proposed HOPE Grants program.

Emergency Homeownership Counseling. The Housing and Community Development Act of 1987 added a new Section 106(c) to the 1968 Act authorizing the Emergency Homeownership Counseling program. This legislation authorizes grant assistance to nonprofit agencies to provide counseling assistance to homeowners. Section 106(c)(5) also requires the creditor of a delinquent home loan to notify an eligible homeowner of the availability of homeownership counseling. The Department is implementing Section 106(c)(5) in 1990 by providing a list of nonprofit organizations approved by the Secretary and experienced in homeownership counseling for use by mortgagees in notifying eligible homeowners. This counseling is available to all delinquent homeowners whether or not they are FHA-insured. The authority for Section 106(c) expires at the end of 1990 and the Budget does not propose extending this authority.

PROGRAM ACTIVITY

There are currently 500 HUD-approved counseling agencies throughout the United States. The Department provided grants to 285 counseling agencies in 1989 and currently assumes funding of 200 agencies in 1990 and 285 in 1991.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

CONGREGATE SERVICES PROGRAM

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Budget Authority					
Appropriation.....................	$5,400	...	$6,000	...	-$6,000
Approp. Act Reduction (Sec. 517).	NA	...	-93	...	+93
Sequestration.....................	NA	...	-78	...	+78
Net Budget Authority...........	5,400	...	5,829	...	-5,829
Obligations.........................	8,179	$2,395	6,435	...	-6,435
Budget Outlays......................	4,544	5,000	5,000	$5,000	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for the Congregate Housing Services program (CHSP) for 1991. The $5,829 thousand in the 1990 appropriation and $606 thousand in unobligated balances carried forward from 1989 will be used to extend 56 existing grant recipients during 1990.

The Congregate Housing Services Program began in 1980 as a demonstration. Its purpose was to determine if residents of Public Housing and Section 202 projects, who were handicapped or temporarily disabled, could live semi-independently if provided congregate care services, thus, reducing their need for long-term nursing home care.

A report on the effectiveness of the demonstration was submitted to Congress in April 1986. The report concluded that the demonstration had little impact on preventing the institutionalization of these individuals. The Housing and Community Development Act of 1987, however, removes the demonstration status of the program and requires a second report which assesses the financial resources available at the Federal, State and local levels for the support of a congregate services program. This report has been completed by the Urban Institute in Washington, DC and was sent to the Congress on October 26, 1989.

Under the HOPE initiative, the Department is requesting $44 million, in 1991, for a demonstration of service-supported housing vouchers to enable the elderly to live independently. Services to the elderly, from $10 million included under the proposed HOPE Grants initiative, will be linked with 1,500 housing (rental assistance) vouchers. This approach to housing the elderly will be used to test whether services provided in a variety of alternative housing situations will prove more effective than the Congregate Services program.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

A total of $8,179 thousand was obligated in 1989 compared with $6,400 thousand estimated in the 1990 Budget. The 1989 estimate in the 1990 Budget assumed that 58 of the 60 existing contracts would expire in 1989 and be extended for approximately 12 months. All of the 58 contracts did expire and funds were reserved for the extension period. Two contracts did not need 1989 funding. However, the final obligation for some of the contracts from fiscal year 1988 were not recorded until the beginning of fiscal year 1989.

The 1990 Budget projected that outlays would be $5 million for the year, but actual outlays were $4,544 thousand. This was because the grantees submitted their requests for payment at a somewhat slower rate than anticipated.

Congregate Services Program

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget proposed no funding for the program. However, the 1990 Appropriations Act included a net appropriation of $5,829 thousand to extend grants which would otherwise expire in 1990. The following table indicates the number of contracts currently in force and the anticipated pattern of contract expiration from 1990-1992:

STATUS OF CONGREGATE SERVICES CONTRACTS

	FISCAL YEAR		
	1990	1991	1992
Contracts in force, start of year...........	60	60	...
Expirations in year.........................	-56	-60	...
Contract extensions in year.................	56	...	...
Contracts in force, end of year.............	60	...	...

EXPLANATION OF INCREASES AND DECREASES

No appropriation is being proposed for 1991. Outlays will continue at the $5 million level in 1991. All outstanding obligations are expected to be liquidated during 1992.

PROGRAM DESCRIPTION

The Congregate Housing Services program was authorized by the Housing and Community Development Amendments of 1978 to provide 3- to 5-year contracts to fund services for eligible residents of Public Housing and Section 202 Housing for the Elderly or Handicapped projects. The program promotes and encourages handicapped elderly, non-elderly handicapped, or temporarily disabled individuals to maintain maximum independence within a home environment. The intent was to avoid costly and premature or unnecessary institutionalization of individuals and to reduce Government outlays for institutional care.

The program began in 1980 as a demonstration. Its purpose was to determine if by providing congregate care services, premature or unnecessary institutionalization of the handicapped or temporarily disabled, living in Public Housing and Section 202 projects, could be reduced.

The services provided are limited to those that are not currently available in each area. The services can include two full meals 7 days a week, housekeeping, personal assistance and other services deemed essential for individuals to maintain semi-independent living.

Eligibility within a project is determined by a committee of at least three persons, including at least one medical professional and other persons professionally competent to judge the functional abilities of elderly or permanently disabled adults in relation to their ability to perform daily living tasks. Proposals are rated on factors such as demonstrated need, management capability and the use of congregate services funds in tandem with the funding of other service programs.

The Housing and Community Development Act of 1987 removed the program's demonstration status and includes a provision requiring a report on the program by September 30, 1988. The report is to document the number of elderly living in Federally assisted housing at risk of institutionalization; study and compare alternative delivery systems in the States; assess existing and potential financial resources at the Federal, State and local levels for the support of congregate housing services; and make legislative recommendations as to the feasibility of permitting State housing agencies and other appropriate State agencies to participate and operate the program on a matching grant basis. This report was sent to Congress in October, 1989.

PROGRAM ACTIVITY

Sixty projects are currently participating in the program, providing services to approximately 1,920 residents. Unobligated balances carried forward from fiscal year 1989 and a net appropriation of $5,829 thousand in 1990 will provide funding to extend 56 of the participating projects for approximately 12 months.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

MANUFACTURED HOME INSPECTION AND MONITORING PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Program Levels					
State Plans approved................	35	35	35	35	...
Manufactured Homes produced........	209,154	215,000	215,000	215,000	...
Transportable units produced.......	308,421	305,000	305,000	305,000	...
Budget Authority					
Permanent, indefinite appropriation	$6,522	$7,320	$7,320	$7,320	...
Obligations.........................	5,769	7,305	7,309	8,360	+$1,051
Budget Outlays......................	6,173	7,500	7,500	8,385	+885

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation action is required for this program. A permanent, indefinite appropriation is available for the Manufactured Home Inspection and Monitoring program based on fees collected from manufactured home producers.

In 1991, HUD estimates that approximately $7.3 million will be collected based upon the production of 215,000 manufactured homes or 305,000 transportable units. These funds will be used to cover the costs of inspecting and monitoring the manufacturers' quality control procedures and to help to defray the States' costs of investigating purchaser complaints.

The Department is proposing legislation to permit the use of fee income, beginning in 1991, to cover the direct administrative costs of all staff associated with the program. The obligation and outlay estimates reflected above include $885 thousand for that purpose. This proposal will not require a change in the current fee schedule in 1991.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

A total of 209,154 manufactured homes and 308,421 transportable units were produced in fiscal year 1989 which were essentialy on target with the 1989 estimates of 215,000 and 305,000 respectively.

Budget authority (fees collected) totalling $6,522 thousand was less than the 1989 estimate of $7,320 thousand because an assumed fee increase from $16 per transportable section to $24 did not go into effect until February 2, 1989. Obligations of $5,769 thousand and outlays of $6,173 thousand were less than the estimates of $5,976 thousand and $7,300 thousand, respectively, for the same reason.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The current estimates of fee collections and of manufactured homes and transportable units to be produced in 1990 are expected to remain the same as previously estimated.

EXPLANATION OF INCREASES AND DECREASES

The production of manufactured homes and transportable sections in 1991 is expected to remain at the currently projected 1990 levels. The 1991 obligation and outlay levels are projected to increase as a result of additional program costs and a legislative proposal to permit the use of fee income to cover the direct administrative costs of all staff associated with the program. Based on this proposal, an additional $885 thousand would be transferred to the Department's Salaries and Expenses account.

Manufactured Home Inspector and Monitoring Program

PROGRAM DESCRIPTION

The National Manufactured Housing Construction and Safety Standards Act of 1974, as amended by the Housing and Community Development Amendments of 1979, and the Housing and Community Development Act of 1980, authorize the Manufactured Home Inspection and Monitoring Program. Under the Act, the Secretary is directed to establish appropriate Federal manufactured home construction and safety standards for the construction, design, and performance of manufactured homes which meet the needs of the public, including the need for quality, durability, and safety. The initial Construction and Safety Standards Act took effect June 15, 1976. All manufactured homes produced since then must comply with Federal manufactured home construction and safety standards.

A fee is charged to the producers to cover the cost of inspections required under the Act. In 1980, a permanent, indefinite appropriation account was established for depositing the fees. Effective February 2, 1989, the fee is $24 for each transportable unit (section) of each manufactured home produced. A single-wide manufactured home is comprised of one transportable unit, whereas a multi-wide home is comprised of two or three transportable units. Therefore, single-wide homes are charged $24, double-wide homes are charged $48 and triple-wide homes are charged $72. During 1989, 47 percent of the homes produced were multi-wide.

Since the start of the program, HUD's contract agent, the National Conference of States on Building Codes and Standards (NCSBCS), has monitored the performance of various inspection agencies approved under the program.

Activities authorized by the Act include the following:

1. Establishment of Standards. Under the Act, the Secretary is directed to establish appropriate Federal manufactured home standards for the construction, design, and performance of manufactured homes which meet the needs of the public, including quality, durability, and safety. The Act defines a manufactured home as a transportable structure that has plumbing, heating, air conditioning and electrical systems and which in the "traveling mode" is eight feet or more in width or 40 feet or more in length, or when erected, is 320 or more square feet.

2. National Manufactured Home Advisory Council. Section 605 of the Housing and Community Development Act of 1974, created a 24-member Advisory Council which consults with the Secretary on manufactured home construction and safety standards. This Council meets as necessary to review and comment on the issuance and/or modification of proposed standards. Costs associated with these meetings are considered Advisory Council expenses and are classified as consultant services which are in the budget estimates for "Salaries and Expenses" shown in that section of these Justifications.

3. Enforcement of Standards. The HUD staff required to monitor this program is funded from fees collected in this Fund and the appropriation, "Salaries and Expenses" and is explained under "Administrative Expenses, Housing" in these Justifications. Enforcement of regulations covering the design and construction of manufactured homes is accomplished mainly by third-party primary inspection agencies. These agencies are approved by HUD and their performance is monitored by HUD and/or an agent of HUD. HUD has the overall responsibility to ensure that its contract agents and primary inspection agents perform properly. Some primary inspection agents are private while others are State agencies.

Enforcement of regulations concerning manufacturers' responsibilities for providing remedial actions in response to consumer complaints and/or in response to manufacturers who discover certain flaws in units they have produced is accomplished primarily by State agencies under HUD-approved enforcement plans. Performance by approved State agencies is monitored directly by HUD staff. The inspection fees charged manufacturers are used to support the cost of assuring that inspection agencies adequately enforce the Federal standards.

The Department encourages State agencies to participate in enforcing the program. Under the Act, State agencies are authorized to carry out the enforcement responsibilities of the Act provided that they demonstrate their willingness and capacity to assure effective compliance within their jurisdictions. State compliance plans are required to be reviewed by the Department, and the Secretary is required to report to the Congress on the effectiveness of State enforcement programs.

Manufactured Home Inspector and Monitoring Program

4. Noncompliance with Standards. Title VI of the 1974 Act requires that every company that builds manufactured homes provide HUD with the plans for each model produced. The manufacturer is also required to issue a certification that each unit built meets the Federal standards in effect at the time of production. If the Department determines that any manufactured home does not comply with standards established pursuant to the Act or contains a defect constituting a significant safety hazard, it may require the producer to notify the purchaser of the manufactured home of the defect. In certain cases, HUD may require repair, replacement or refund of the price of the defective unit(s).

The Act also provides the Secretary with broad enforcement powers to assure compliance with the Federal standards, including the right to subpoena witnesses and to carry out on-site inspections of manufactured home production facilities. Criminal and civil penalties are provided for certain violations of the Act.

PROGRAM ACTIVITY

Currently, 35 States have had their State Administrative Agencies approved for participation in the program. Also, 30 Primary Inspection Agencies (14 private and 16 State) are approved as qualified to serve as a Design Approval Primary Inspection Agency and/or a Production Inspection Primary Inspection Agency.

In addition to inspection activities supported directly by fee income, the Department has sponsored research, as needed, relating to manufactured home construction and safety standards which is funded from the Department's Research and Technology appropriation.

STATUS OF FUNDS

The following table provides the current status of the fee account and the estimated obligations:

	Actual 1989	Estimate 1990	Estimate 1991
	(Dollars in Thousands)		
Unobligated balance, start of year	$1,198	$1,951	$1,962
Fee Income	6,522	7,320	7,320
Total Available	7,720	9,271 a/	9,282
Obligations:			
Payment to State Agencies	2,172	3,290	3,290
NCSBCS Monitoring Contract	2,732	3,150	3,300
Administrative Expenses:			
S&E Transfer	865	869	1,770
Total Obligations	5,769	7,309	8,360
Unobligated balance, end of year	1,951	1,962	922

a/ Includes $102 thousand sequestered in 1990 pursuant to P.L. 99-177 and P.L. 100-119. The sequestered funds are not available for obligation in 1990.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

INTERSTATE LAND SALES

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Program Level					
Number of Filing Actions........	1,992	1,800	1,800	1,800	...
Budget Authority					
Fees (Permanent, Indefinite Appropriation).................	$510	$1,000	$600	$1,000 a/	+$400
Budget Outlays....................	520	1,000	635	1,008 a/	+373

a/ Includes $400 thousand in budget authority and outlays due to proposed legislation.

SUMMARY OF BUDGET ESTIMATES

1. **SUMMARY OF BUDGET REQUEST**

No appropriation action is required for this program. A permanent indefinite appropriation is available based on the fees collected from land developers.

Under the Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended), the Department currently is authorized to charge a fee, of up to $1,000, to a land developer to offset the direct administrative costs associated with the program. Fees collected for registration are transferred to the Department's "Salaries and Expenses" account.

To help assure the collection of sufficient income, the Department proposes legislation to remove the $1,000 limitation in 1991 on the fee which may be charged to a developer. The Department will also revise its fee schedule to provide additional fee income to meet the full cost of direct program administration. Currently, a significant portion of the program's administrative costs must be borne by the Department's "Salaries and Expenses" appropriation. The $400 thousand increase in fees in 1991 represents the amount estimated to meet full administrative costs.

2. **CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET**

The estimate of filing actions was 1,800 compared to the actual number received of 1,992. This change was due to an increased number of non-income producing amendments (filings) as a result of follow-up procedures instituted on annual reporting requirements. The fee collections and outlays were less than estimated because there were more filings for smaller developments for which a lesser fee is charged.

3. **CHANGES FROM 1990 BUDGET ESTIMATES**

The 1990 Budget assumed passage of legislation which would remove the $1,000 limitation on the fee which may be charged to a developer, and a further revision to the fee schedule to generate additional income. The legislation was not passed and the fee schedule is not being changed in 1990. As a result, the 1990 estimate for fees collected is reduced from $1 million in the 1990 Budget to $600 thousand and the estimate of outlays is reduced from $1 million to $635 thousand.

EXPLANATION OF INCREASES AND DECREASES

An increase of $400 thousand in budget authority and the increase in outlays are the result of the proposal to eliminate the $1,000 limitation which can be charged to a developer and the plan to revise the fee schedule. HUD expects that the combination of these actions would result in sufficient income to cover the full cost of direct program administration.

Interstate Land Sales

PROGRAM DESCRIPTION

The Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended) authorizes a nationwide program of registration of subdivisions marketed in interstate commerce. The Act generally applies, by law and administrative regulation, to subdivisions of undeveloped land sold or offered for sale or lease through any facilities of interstate commerce. Statutory and regulatory penalties are imposed on developers who fail to file and keep a registration statement current with the Office of Interstate Land Sales Registration, or who fail to furnish each purchaser a copy of an effective Property Report before signing a purchase or lease contract.

The Act provides for submission of a Statement of Record describing a proposed subdivision in detail, accompanied by maps, contract documents and certifications designed to fully disclose relevant information about the subdivision. Each prospective purchaser must be furnished a Property Report which sets forth the disclosure in easy to understand terms. The program concentrates on securing full disclosure of pertinent facts through the registration process and bringing enforcement action in the event of abuses.

The Housing and Community Development Amendments of 1979 created additional exemptions for smaller volume developers and those selling only to in-State residents. Other exemptions formerly available were eliminated to correct abuse found by HUD since the inception of the Act. These amendments also extended the "cooling off" period, following purchase, to 7 days and increased the statute of limitation for purchasers to file suit against developers to 3 years after a fraudulent action, misstatement or omission.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

COMMUNITY DISPOSITION

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Program Level:					
Repayment of Investment to Treasury:					
In Year..........................	$50	$75	$75	$50	-$25
Cumulative......................	87,140	87,240	87,215	87,265	+50
Budget Outlays.....................	-101	-45	-20	-15	+5

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is required for the Community Disposal Operations Fund. Expenses of the Fund are financed from income.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Net receipts in 1989 ($101 thousand) were higher than the prior estimate ($50 thousand). This increased net receipt level results from mortgage repayments being somewhat higher than projected in the Budget.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 receipt estimates have been lowered due to fewer mortgages in the portfolio.

EXPLANATION OF INCREASES AND DECREASES

A dividend of $50 thousand was declared for 1989 producing a cumulative repayment of investment to the Treasury of $87,140 thousand. The Department expects that repayments of $75 thousand in 1990 and $50 thousand in 1991 will increase cumulative repayments to Treasury to a total of $87,265 thousand by September 30, 1991. As the inventory of outstanding mortgages is reduced, the amount of principal repaid and interest earned decreases. Net receipts therefore, are expected to decline accordingly by approximately $5 thousand between 1990 and 1991.

PROGRAM DESCRIPTION

The Community Disposition program was established by the Atomic Energy Community Act of 1955 to dispose of federally owned properties in Oak Ridge, Tennessee; Richland, Washington; and, by amendment in 1963, Los Alamos, New Mexico. All sales under the program have been completed and continuing Community Disposition program operations only involves servicing and liquidating the mortgage portfolio which was acquired from the sale of Atomic Energy Commission properties.

The proceeds of monthly mortgage payments of principal and interest are credited to the Community Disposal Operations Fund. Any amounts in excess of the annual requirements for necessary expenses are transferred to the Treasury.

Community Disposition

PROGRAM ACTIVITY

The status of the Community Disposal Operations Fund for each fiscal year follows:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Source of Funds			
Unobligated balance, start of year.............	$19	$15	$11
Other Income:			
Loan and mortgage repayments.................	37	65	50
Interest and other income....................	9	7	3
Total, Source of Funds.....................	46	72	53
Application of Funds			
Capital transfer to Treasury...................	-50	-75	-50
Loan and property expenses.....................	...	-1	-1
Total, Application of Funds..................	-50	-76	-51
Unobligated balance, end of year...............	15	11	13

As of September 30, 1989, all Oak Ridge mortgages had been paid in full and the Fund had approximately $15 thousand of working capital. The mortgage portfolio is comprised as follows:

LOCATION	NUMBER OF MORTGAGES	ORIGINAL MORTGAGE AMOUNT	UNPAID PRINCIPAL BALANCE
		(Dollars in Thousands)	
Richland, Washington..................	1	$36	$8
Los Alamos, New Mexico................	69	482	126
Total.............................	70	518	134

Unless prepaid before the maturity dates, the Richland mortgage will mature by the end of 1992 and the Los Alamos mortgages by 1995.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENT SUPPLEMENT PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Program Levels					
Contract Authority					
Unobligated balance, start of year..	$36,003	$34,128	$35,133	$33,325	NA
Recapture from prior years..........	67	814	814	814	...
Use of authority....................	-937	-2,407	-2,622	-2,314	-$308
Unobligated balance, end of year....	35,133	32,535	33,325	31,825	NA
Budget Authority					
Unobligated balance, start of year..	892,099	819,059	836,168	766,535	NA
Recapture from prior years..........	1,664	19,536	19,536	18,722	-814
Use of authority....................	-22,837	-57,765	-55,844	-53,222	-2,622
Authority lapsed....................	-34,758	-32,535	-33,325	-31,825	-1,500
Unobligated balance, end of year....	836,168	748,295	766,535	700,210	NA
Units Eligible for Payment, End of Year (Estimate)...............	20,000	23,500	20,000	20,000	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation or rescission is proposed for 1991. Insured projects will continue to receive assistance at their current contract levels, and will not be amended for increased operating expenses. State-aided projects will continue to receive assistance pursuant to the 1983 Supplemental Appropriations Act and in accordance with provisions of the Housing and Community Development (HCD) Act of 1987. The HCD Act revised--from 90 to 100 percent--the level of Federal support for amendments to State Agency non-insured projects.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The table below reflects actual 1989 activity compared with 1989 estimates in the 1990 Budget:

	1990 BUDGET (1989 Est.)	ACTUAL 1989	DIFFERENCE
		(Dollars in Thousands)	
Unobligated balance, start of year....................	$36,003	$36,003	...
Recaptures:			
State-aided foreclosures.............................	814	...	-814
Insured Section 236 projects.........................	...	67	+67
Use of contract authority:			
State-aided foreclosures.............................	-814	...	+814
State Agency amendments..............................	-1,543	-913	+630
Rent rebates...	-332	-24	+308
Unobligated balance, end of year......................	34,128	35,133	1,005

In the 1990 Budget, HUD estimated that $814 thousand of contract authority would be recaptured in 1989 from foreclosure (or transfer in lieu of foreclosure) of State sponsored non-insured projects. The 1984 Continuing Resolution (P.L. 98-473) requires that any authority recaptured as a result of such foreclosures remain available for the balance of the term of the project under its new ownership. However, no such recaptures materialized in 1989 and the planned reuse of these recaptures never occurred.

A total of $67 thousand in prior year contract authority was recaptured from Rent Supplement units in foreclosed Section 236 projects. These recaptures were not anticipated and, therefore, rescission of this authority was not proposed as part of the 1990 Budget. Instead, the authority was included as part of the set-aside for State agencies.

The 1990 Budget had assumed that $1,543 thousand would be needed during 1989 for amendments to State-aided projects pursuant to the terms of the 1983 Supplemental Appropriations Act. Actual need was $913 thousand for the year. Funding for this purpose is requested by States on an "as needed" basis which makes projections of need difficult to determine.

HUD also estimated that $332 thousand would be required in 1989 for rent rebates to eligible tenants under provisions included in the Housing and Community Development Amendments of 1981 and the Housing and Urban-Rural Recovery Act (HURRA) of 1983. Actual payments amounted to only $24 thousand. The remaining balance of $308 thousand will be available for any disbursements which may occur in 1990.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The current 1990 estimate for the use of contract authority reflects a slightly higher level than contained in the 1990 Budget. During 1990, about $2.6 million in contract authority will be used instead of the $2.4 million estimated in the 1990 Budget. The increase is largely attributable to the change in amendment costs for State-aided projects as well as use of carryover funds for tenant rent rebates. About $1.5 million will be used in 1990 for amendments to State-aided projects. Full use of the $308 thousand of rent rebate carryover is assumed as well as the recapture, and reuse, of about $800 thousand from foreclosed State-aided projects. The rebates reflect the recertification of tenant income eligibility criteria established in 1981 and 1983 authorization legislation. Recertifications have been applied retroactively to October 1, 1984--necessitating rebates. In the 1990 Budget, HUD assumed that all rebate activity would be completed by the end of 1989. However, the remaining balance will be available in 1990 for any payment vouchers which may be submitted.

EXPLANATION OF INCREASES AND DECREASES

The $23 million expected to be used in 1991 will include $1.5 million for amendments to State-aided projects utilizing the funding provided in the 1983 Supplemental Appropriations Act. In addition, reuse of $814 thousand in recaptures from foreclosed State-aided projects is anticipated.

PROGRAM DESCRIPTION

Section 101 of the Housing and Urban Development Act of 1965, as amended, authorized rent supplements on behalf of needy tenants living in privately owned, privately operated and privately financed housing. Eligible tenants pay 30 percent of the rent or 30 percent of their income toward the rent, whichever is greater. The difference between the tenant payment and the economic rent approved by the Department is made up by a Rent Supplement payment made directly to the project owner.

This program also has been used in the past to provide additional "piggyback" assistance to a portion of the units in Section 236 projects, including State Agency developed, non-HUD-insured projects. The Housing and Community Development Act of 1974 authorized a "deep subsidy" program of assistance payments for certain Section 236 projects to replace the Rent Supplement "piggyback" program. All Section 236 projects approved subsequent to August 22, 1974 were eligible for this assistance. In addition, the Housing and Community Development (HCD) Amendments of 1979 redefined the standards for tenant eligibility under the Rent Supplement program to require that such tenants also meet the eligibility standards for the Section 8 program.

PROGRAM ACTIVITY

Amendments to State/Agency-sponsored, non-insured projects are supported utilizing the set-asides of contract authority provided for this purpose in the 1983 Supplemental Appropriations Act. Amendments for cost increases were limited to not more than 90 percent Federal support with the remaining balance provided by the sponsoring State Agency or absorbed by the project. This Federal/State cost sharing requirement was included in both the Supplemental Appropriations Act language and the amendments to the program contained in the Housing and Urban-Rural Recovery Act of

1983. This cost sharing was changed by the HCD Act of 1987 which requires 100 percent Federal funding.

The table below shows the actual and projected total use of contract authority over the 1989-1991 period:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Amendments to State-aided projects	$913	$1,500	$1,500
Reuse of State/Agency foreclosure recaptures	...	814	814
Rent Rebates	24	308	...
Total	937	2,622	2,314

The following is the status of the set-aside of contract authority established for non-insured Rent Supplement assisted projects:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Unobligated balance, start of year	$35,671	$34,825	$33,325
Reuse of State/Agency foreclosure recaptures	-913	-1,500	-1,500
Recaptures	67	...	...
Total	34,825	33,325	31,825

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENTAL HOUSING ASSISTANCE PROGRAM
(Section 236)

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Contract Authority					
Unobligated balance, start of year..	$56,083	$54,288	$58,666	$55,142	NA
Recapture from prior years..........	6,845	3,000	7,851	3,000	-4,851
Use.................................	-2,262	-2,760	-9,375	-6,582	-2,793
Rescission enacted/proposed.........	-2,000	-2,000	-2,000	-2,000	...
Unobligated balance, end of year....	58,666	52,528	55,142	49,560	NA
Budget Authority					
Unobligated balance, start of year..	1,399,908	1,302,904	1,412,802	1,273,084	NA
Recapture from prior years..........	171,115	72,000	188,424	69,000	-119,424
Use.................................	-54,400	-66,238	-225,000	-151,390	-73,610
Rescission enacted/proposed.........	-50,000	-48,000	-48,000	-46,000	-2,000
Restored/lapsed.....................	-53,821	-52,528	-55,142	-49,560	-5,582
Unobligated balance, end of year....	1,412,802	1,208,138	1,273,084	1,095,134	NA
Units Eligible for Payment, End of Year (Estimate).............	528,000	526,000	527,000	526,000	-1,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

A rescission of up to $2 million of contract authority ($46 million of budget authority) is proposed for 1991. This represents a rescission of funds recaptured as a result of terminating insurance. An estimated $6.6 million of contract authority in 1991 will be provided only for State Agency related activities as authorized in the 1983 Supplemental Appropriations Act and the Housing and Community Development (HCD) Act of 1987. The HCD Act revised--from 90 to 100 percent--the Federal support of amendment funding for State-aided projects.

The Budget also proposes, beginning in 1991, to transfer excess rental funds in the Rental Housing Assistance Fund to the Annual Contributions for Assisted Housing account, instead of to the Flexible Subsidy Fund.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The table below presents actual 1989 activity compared with projections in the 1990 Budget.

	1989 ESTIMATE IN 1990 BUDGET	ACTUAL 1989	DIFFERENCE
Unobligated balance, start of year......	$56,083	$56,083	...
Recaptures:			
State-aided foreclosures..............	1,000	...	-$1,000
Insured Section 236 projects..........	2,000	6,845	4,845
State-aided RAP transfer..............	211	...	-211
Use of contract authority:			
State-aided foreclosures..............	-1,000	...	1,000
State Agency amendments...............	-1,705	-2,172	-467
State-aided RAP transfer..............	-211	...	211
Rent rebates..........................	-90	90	...
Rescission..............................	-2,000	-2,000	...
Unobligated balance, end of year........	54,288	58,666	4,378

Rental Housing Assistance Program

HUD assumed in the 1990 Budget that $3 million of contract authority (representing $66 million of budget authority) would be used in 1989 for assistance to State-aided projects and for rent rebates. Actual activity for the year was $2.3 million--of which $2.2 million went for amendments to State-aided units and $90 thousand for rent rebates.

Pursuant to the 1989 Appropriations Act, $2 million of recaptured contract authority was rescinded. However, $6.8 million was actually recaptured during the year and not the $3.2 million estimated in the 1990 Budget. The balance of recaptured authority (net of amounts rescinded) served to increase fund balances from $56.1 million, at the start of the year, to $58.7 million by year end.

A provision in the Housing and Community Development Act of 1987 precluded the use of available funding for "deWilde Pools" without appropriate appropriation language. The 1989 Supplemental Appropriations Act did include such language but the date of enactment--June 30,1989--prevented use of the funds until 1990.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 activity as reflected in the 1991 Budget is summarized and compared with projections in the 1990 Budget in the table below:

	1989 ESTIMATE IN 1990 BUDGET	ACTUAL 1989	DIFFERENCE
Unobligated balance, start of year.....	$54,288	$58,666	$4,378
Recaptures:			
State-aided foreclosures............	1,000	1,000	...
Insured Section 236 projects.........	2,000	2,000	...
State-aided RAP transfer...............	...	211	211
deWilde Pool.........................	...	4,640	4,640
Use of contract authority:			
State-aided foreclosures............	-1,000	-1,000	...
State Agency amendments..............	-1,760	-3,000	-1,240
DeWilde Pool.........................	...	-5,164	-5,164
State-aided RAP transfer.............	...	-211	211
Rent rebates.........................	...	...	...
Rescission............................	-2,000	-2,000	...
Unobligated balance, end of year.......	52,528	55,142	2,614

Estimates of recaptures from foreclosures of State-aided projects and insured Section 236 projects remain the same as in the 1990 Budget. The recapture and reuse of $211 thousand of State-aided RAP funds estimated to occur in 1989 did not materialize and are now expected to occur in 1990. The increase of $1.24 million in amendment to State-agency projects reflects changes in economic assumptions as well as revised estimates of need based on actual 1989 activity.

The Budget includes the impact of the 1989 Supplemental Appropriations Act releasing the "deWilde Pool" funds as required by Section 430 of the HCD Act of 1987. These funds are associated with agreements entered into with several state housing agencies for projects under their management. The agreements provide specific amounts of authority which could be used for purposes which are stated in the agreements. The State agencies and the Department have disagreed over the terms and conditions under which the authority may be used. However, the HCD Act expanded the eligible activities to those desired by the States. Pursuant to the 1989 Supplemental Appropriations Act, the remaining balance ($3.1 million in Contract Authority) from the $3.3 million restored by Appropriation action in 1985, as well as an estimated $4.6 million in recaptures, will be available in 1990 and 1991. Of the $7.7 million available, $5.1 million is expected to be obligated in 1990 and the remaining $2.6 million to be obligated in 1991.

EXPLANATION OF INCREASES AND DECREASES

Total use of contract authority is estimated at $6.6 million in 1991. This consists of $3 million for amendments to State-aided units, $1 million for reuse of recaptured contract authority from State-aided foreclosures and $2.6 million for "deWilde" projects.

Rental Housing Assistance Program

PROGRAM DESCRIPTION

1. Original Program. The Section 236 program, as enacted in 1968, provides a subsidy to reduce mortgage interest payments. The maximum subsidy available to a project was set at the difference between the monthly payment for principal, interest, and mortgage insurance premium on the outstanding mortgage at the market rate of interest and the monthly payment that would be required under a mortgage bearing an interest rate of 1 percent.

A basic rental charge that was deemed sufficient to meet operating expenses plus debt service expenses at the 1 percent rate of interest was determined for each unit. Every tenant is required to pay the basic rental charge or up to 30 percent of income, whichever is higher. Since 1982, the tenant rent contribution for program participants has been increased by 1 percent per year until a level of 30 percent was achieved. New tenants automatically are charged using the 30 percent of income rule. Contract approvals for new projects were discontinued in January 1973, except for "bona fide" commitments outstanding at that time and for amendments to prior contracts.

2. Deep Subsidy Program. The Rental Assistance Payments (RAP/"deep subsidy") program, authorized by the Housing and Community Development Act of 1974, was designed to aid very low-income families in Section 236 projects by permitting HUD to provide additional subsidies equal to the difference between the basic rent and 30 percent of income for a certain percentage of units in a project. Generally, 20 to 40 percent of the units in a project are deemed eligible, but there are exceptions should the Secretary determine that a higher or lower percentage is needed to assure an adequate income mix for project stability.

Amendments to State Agency sponsored RAP projects will continue to be supported utilizing the set-asides of contract authority provided for in the 1983 Supplemental Appropriations Act. During 1984, amendment funding was utilized in amounts sufficient to establish a full subsidy funding base reflecting the 1983 cost experience. All subsequent amendments for cost increases were limited by law to not more than 90 percent of cost with the remaining balance provided by the sponsoring State Agency or absorbed by the project. The Housing and Community Development Act of 1987 changed this to require 100 percent Federal funding of these amendments. A total of 15,646 units in non-insured projects are currently assisted using this set-aside. The following table provides the status of the set-aside of contract authority established for non-insured RAP assisted projects and the estimated use of the set-aside during fiscal years 1989-1991:

	USE OF CONTRACT AUTHORITY		
	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Unobligated balance, start of year	$52,887	$55,560	$52,560
Recaptured (Net)	4,845	...	...
Obligations	-2,172	-3,000	-3,000
Unobligated balance, end of year	55,560	52,560	49,560

3. deWilde Agreements. The deWilde agreements were originally executed between the Department and certain State Housing Agencies in 1973 in order to complete State projects still in the pipeline. The agreements provided specific amounts of authority which could be used for purposes which were stated in the agreements. Over the years, the Department and various State Agencies have disagreed over the terms and conditions under which the available authority may be used. The Department's position has been that the Government is obligated to fund only those activities which are specifically permitted under the original deWilde agreements, or the agreements as formally amended. The State Agencies, on the other hand, desire to use the authority for other, related purposes which are not specified in the agreements.

The Housing and Community Development Act (HCD) of 1987 expanded the eligible activities to include those which are desired by the States and not included in the current agreements. In addition, the Act established a timetable for completing the funding actions and closing out the agreements. The Act required, however, that the use of available funding for the expanded categories authorized in the Act must first be approved in an Appropriations Act. The 1989 Supplemental Appropriations Act approved such action. Therefore, the use of deWilde pool funds is reflected in 1990 and 1991. The following table summarizes the availability and use of the deWilde funds:

Rental Housing Assistance Program

	Contract Authority		Budget Authority	
	1990	1991	1990	1991
	(Dollars in Thousands)			
Unobligated balance, start of year...	$3,106	$2,582	$74,548	$59,390
Estimated recaptures during year.....	4,640	...	111,360	...
Use..................................	-5,164	-2,582	-123,936	-59,390
Authority lapsed.....................	...	...	-2,582	...
Total funds available, end of year.	2,582	...	59,390	...

The total budget authority represents the maximum HUD exposure. This amount would decrease each year as the remaining terms of the State Agency contracts decrease.

RENTAL HOUSING ASSISTANCE FUND

The Housing and Urban Development Act of 1968 authorized the Secretary to establish a fund for the deposit of rental collections in excess of the established basic rent for units in subsidized Section 236 projects. Pursuant to Section 201 of the Housing and Community Development Amendments of 1978, excess rental collections that continue to be deposited into the fund are to be transferred to the Flexible Subsidy Fund, formerly the Troubled Projects program. During 1990, $63.7 million in unobligated balances are expected to be transferred to the Flexible Subsidy account. Starting in 1991, the Budget proposes transferring excess rental receipts from the Rental Housing Assistance Fund to the Annual Contributions for Assisted Housing account to partially fund an additional 10,000 units for use by tenant organizations for homeownership opportunities in FHA-acquired properties. These units will be used to promote tenant management and homeownership opportunities (Urban Homesteading).

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Fund balance available, start of year..........	$5,418	$5,201	...
Recovery of prior year obligations............	...	...	...
Excess rental collections.....................	63,320	60,000	$70,000
Interest income...............................	...	...	...
Payments for increased tax and utility costs..	...	...	...
Payment of rent rebates.......................	-76	-822	...
Unobligated balance sequestered...............	...	-700	...
Payments to Flexible Subsidy Fund.............	-63,461	-63,679	...
Transfer to Annual Contributions..............	...	...	-70,000
Fund balance available, end of year...........	5,201	...	...
Budget Outlays................................	4,529	189	-70,000

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOMEOWNERSHIP ASSISTANCE PROGRAM
(Section 235)

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 VS 1990
			(Dollars in Thousands)		
Contract Authority Available, (SOY):					
1981 Appropriation Act................	$1,246	...	$1,229	...	$1,229
Restructured Program..................	5	...	5	...	-5
Commitments:					
1981 Appropriation....................	17	...	235 a/	235 a/	...
Restructured Program..................	124	...	310 a/	310 a/	...
Budget Authority Available, (SOY):					
1981 Appropriation Act................	37,381	...	36,866	...	-36,866
Restructured Program..................	47	...	47	...	47
Commitments:					
1981 Appropriation....................	515	...	7,050 a/	7,050 a/	...
Restructured Program..................	1,236	...	3,100 a/	3,100 a/	...
Net Recaptures/Rescission..............	...	...	190,993	...	+190,993
Units Endorsed for Insurance:					
Revised Program (1975 and 1981 Funds)................................	47	...	336	336	...
Restructured Program..................	84	...	310	310	...
Units Eligible for Payment, (EOY):					
Original Program......................	95,191	88,300	92,600	90,100	-2,500
Revised Program.......................	42,993	33,200	37,100	35,000	-2,100
Restructured Program..................	2,780	2,900	2,700	2,800	+100
Homeownership Assistance Fund (Restructured Program):					
Balance Available, (EOY).............	$18,606	$31,572	$24,723	$30,899	+6,176

a/ Represents amendments to prior contracts.

SUMMARY OF BUDGET ESTIMATES

I. SUMMARY OF BUDGET REQUEST

The Budget proposes no new funding in 1991 for the Section 235 program. The insurance endorsement of all remaining units is expected to be completed by the end of 1991.

The Housing and Community Development Act of 1987 terminates the program on October 1, 1989. However, any mortgage insurance commitment or any assistance contract pursuant to a reservation of funds made under Section 235 prior to October 1, 1989 will not be affected. Activity shown for 1991, represents amendments to reservations made prior to October 1, 1989.

A Revolving Fund account with Treasury was established pursuant to Section 235(c)(3)(A) of the National Housing Act for receipt of recaptures from contract terminations which must be deposited into the Fund. HUD estimates that up to $6 million of budget authority may be recaptured from terminations in fiscal year 1990 and another $6 million in 1991. This authority could be used to extend the Restructured program contracts beyond the initial 10-year period, if needed by the homebuyer.

Homeownership Assistance Program

The 1989 HUD Reform Act authorizes the Secretary to refinance Section 235 mortgages that were originally financed at high interest rates. It is anticipated that 23,000 mortgages with interest rates between 12.5 and 18 percent will be refinanced in fiscal year 1990, resulting in a savings estimated at $191 million in budget authority and outlays over the remaining term of the mortgages. The Secretary is authorized to the extent provided in Appropriation Acts, to make payments (directly, through the mortgagee or otherwise) for the cost associated with refinancing, or may allow the mortgagee to pay these costs and recoup them in the mortgage interest rate charged. The Budget assumes that the cost of refinancing will be paid by the lender and, therefore, no budget authority is being requested for this purpose.

Any net budget authority recaptured as a result of refinancing is to be rescinded. The Budget reflects net recaptures and rescission of $191 million in 1990.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The 1990 Budget assumed that a total of 2,056 units would reach final endorsement, while actual endorsements for 1989 were only 131 units. The shortfall was primarily due to the lenders inability to use the commitments. Most of the commitments are in New York City and the developers are experiencing delays in obtaining site control over the land on which they anticipated building the units. The Budget also assumed a need for $56.9 million of budget authority for amendments in connection with the estimate of 2,056 units reaching final endorsement. Because of the lower number of units, only $1.8 million was required for amendments.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget assumed that all activity would be completed by year end. The 1990 activity reflects amendments to contracts committed in prior years and insured under the revised or restructured programs. As a result of processing and construction delays, and a reduced number of units reaching endorsement during 1989, 646 units are expected to be endorsed during 1990 and an additional 646 units are expected to be endorsed during 1991.

EXPLANATION OF INCREASES AND DECREASES

No new authority is being requested and no new reservation activity is being assumed under either the Revised or Restructured program for 1991. The program was terminated on October 1, 1989, with the exception of refinanced mortgage activity.

Total units under payment will decrease by 4.5 thousand units to 127.9 thousand units in 1991 based on insurance terminations and increased homeowner income.

PROGRAM DESCRIPTION

Original Homeownership Assistance Program

The original Homeownership Assistance program, authorized by Section 235 of the National Housing Act, as amended, provided for a homeownership interest reduction subsidy for lower-income families. Eligible families pay at least 20 percent of their adjusted monthly income toward the monthly mortgage payment. The balance is made up by Federal assistance payments which cannot exceed the difference between the required mortgage payment and the amount that would be required on a mortgage bearing an interest rate of 1 percent.

New contract approvals under the original program were discontinued on January 5, 1973, except for bona fide commitments outstanding on that date. However, following litigation, a court order of August 20, 1975 directed that the unused balance of contract authority under the original program be obligated and that future commitments be charged against the obligated authority. The program then was resumed during that fiscal year under a revised form. All funds have now been committed. Additional funds were made available for the Revised program in the 1981 Appropriations Act.

Homeownership Assistance Program

Revised Homeownership Assistance Program

Under the Revised program, eligible homeowners contribute 20 percent of adjusted income to the monthly mortgage payments and make a downpayment of 3 percent of the cost of acquisition of a newly constructed or substantially rehabilitated unit. The assistance payment is calculated based on the difference between the FHA maximum interest rate in force at the time of insurance endorsement and the current subsidy floor.

Section 235(h)(1) of the National Housing Act prohibits the use of budget authority appropriated prior to the Housing and Urban-Rural Recovery Act of 1983 to be used for new assistance payments contracts. However, it does not preclude the use of authority for amendments.

Restructured Program

The Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181) authorized a Restructured Section 235 program based on a 10-year interest reduction subsidy. Under the Restructured program, homeowners are required to contribute a minimum of 28 percent of adjusted income toward monthly mortgage payments. Assistance payments are calculated on the basis of the difference between the current FHA maximum interest rate in force at the time of insurance endorsement and the current subsidy floor.

A total of $15 million of contract authority and $150 million of budget authority was approved in 1984 for the Restructured program in the Second Supplemental Appropriations Act of 1984 (P.L. 98-396). It is estimated that approximately 4,500 units will have been assisted under this program by the end of 1991. The Homeownership Assistance Fund was established by the Housing and Urban-Rural Recovery Act of 1983. It provides for the receipt of recaptures of budget authority, cash, and interest earnings under the Restructured Section 235 program. The funds are authorized to be used, to the extent approved in Appropriation Acts, by the Secretary to provide additional Section 235 assistance payments for mortgagors, who are unable to assume the full payment due under the mortgage, after the original 10-year assistance payments contract terminates.

The following table reflects the status of the Fund for fiscal years 1989-1991.

Homeownership Assistance Fund	Actual 1989	Estimate 1990	Estimate 1991
		(Dollars in Thousands)	
Balance Available, (SOY)................	$13,217	$18,606	$24,723
Net Transfer from Recaptures...........	5,309	6,000	6,000
Net Income..............................	80	117	176
Balance Available, (EOY)................	18,606	24,723	30,899

The fund balances for the Homeownership Assistance Fund are distributed follows:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Unfunded Contract Authority............	$18,379	$24,379	$30,379
U.S Securities..........................	169	173	263
Balance with Treasury...................	58	171	257
Total................................	18,606	24,723	30,899

PROGRAM ACTIVITY

Activity during 1990 and 1991 will consist of amending contracts as they are endorsed for insurance. During 1990, approximately 23,000 mortgages will be refinanced.

On December 29, 1989 the Secretary provided a report to the President describing the actions taken and future plans developed by the Department of Housing and Urban Development during fiscal year 1989 to bring the Department into compliance with the Federal Managers' Financial Integrity Act of 1982. In Section 235 it was determined that information in the automated payment and accounting system did not support the information used to prepare financial statements and that subsidy payments were being made that exceeded contract amounts.

Homeownership Assistance Program

The corrective actions taken and to be taken included:

- -- reconciliation of subsidiary accounts and the general ledger accounts are being performed monthly by both manual and automated means;
- -- performance of monthly reconciliation of fund control data;
- -- manual review of subsidy payments against contract amounts to ensure proper payments; and
- -- implementation of a new Section 235 accounting system (scheduled for September 1990).

Other problems identified in the report were overpayment of mortgage subsidy for mortgagors receiving Section 235 assistance and unnecessary remedial adjustments to correct overpayment of subsidies.

The corrective actions to be taken were:

- -- explicit directives are to be issued to field staff, lenders, and mortgagors for recertification; and
- -- stronger field monitoring and enforcement is to be initiated to ensure compliance with requirements.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENTAL HOUSING DEVELOPMENT GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Program Level:					
Units Assisted................	609	...	...	...	...
Obligations.....................	$17,336	...	...	...	...
Reappropriation.................	15,372	...	...	...	...
Outlays.........................	100,200	$100,000	$100,000	$94,463	-5,537

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The fiscal year 1991 Budget proposes no funding for the Rental Housing Development Grants (HoDAG) program. The Housing and Community Development Act of 1987 terminated the program at the end of fiscal year 1989. The estimated outlays in fiscal year 1990 and 1991 reflect the spendout of obligated balances. The Administration believes that based on the scarce resources available, the funds formerly devoted to this program can be used more efficiently elsewhere.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Actual obligations for 1989 were $17,336 thousand--$2,664 thousand lower than the $20,000 thousand estimated in the 1990 Budget. The slightly lower obligation level was the net result of lower recaptures being available for reuse in 1989, as indicated in the table below. Total recaptures--both reappropriation and other recaptures--were estimated at $20,000 thousand in the 1990 Budget. Actual recaptures realized were only $17,336 thousand.

	Fiscal Year 1989	
	1990 Budget Estimate	Actual
	(Dollars in Thousands)	
Reappropriation...........	$5,000	$15,372
Other Recaptures..........	15,000	1,964
Total....................	20,000	17,336

Outlays were estimated at $80,000 million for 1989 compared to actual outlays of $100.2 million. The $80 million figure for 1989 was based on the rate of draw-down during the previous year, when $66 million was outlayed. However, the processing of projects in the pipeline during 1989 occurred at a much faster pace than had been anticipated, and actual disbursements were $20 million higher than the estimate.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget assumed terminating the program at the end of 1989--consistent with the "sunset" provision of the Housing and Community Development Act of 1987. No new activity was projected and the only fiscal activity would be the liquidation of outstanding obligations. The 1991 Budget is based on the same assumptions with outlays being projected at the $100 million level, the same as in the 1990 Budget.

Rental Housing Development Grants

EXPLANATION OF INCREASES AND DECREASES

The lack of activity in 1990 and 1991 reflects the use of all available balances in 1989, phasing out the program, and terminating it on October 1, 1989. Disbursement against obligated balances are expected to continue through 1991.

PROGRAM DESCRIPTION

The Housing and Urban-Rural Recovery Act of 1983 (P.L. 98-181) authorized the Rental Housing Development Grants program.

This program provided States, cities and urban counties (grantees) with grants for new construction and substantial rehabilitation activities of real property for rental purposes. Grantees are responsible for implementing the program and complying with program requirements. These funds were used by grantees to make grants or loans, provide interest reduction payments or other assistance which would support new construction or substantial rehabilitation of rental housing. Grantees were selected competitively based upon a HUD review of applications which includes a description of their rental development program for the fiscal year, specific proposals, and supporting information. Project selections were made based on selection criteria cited in the statute. Following notification of selection, a grant agreement was signed by HUD and the grantee stipulating the grant conditions.

Project Eligibility. Areas experiencing a severe shortage of decent rental housing for families without other reasonable housing alternatives were eligible for grants. Grantees with proposed projects that served special housing needs or neighborhood preservation purposes also were eligible to apply. The Secretary issued minimum standards for determining eligible areas based on eligibility criteria cited in the statute.

Grant Amount. Grants were limited to an amount which will provide decent rental housing of modest design which is affordable for families without other private market, affordable housing alternatives. Generally, the grant could not exceed 50 percent of a project's total development cost (less acquisition). Owners had to agree that at least 20 percent of the units would be occupied, or available for occupancy, for families at or below 80 percent of the median income.

Construction. New construction or substantial rehabilitation had to begin within 24 months after notice of project selection. The HCD Act allowed for a 6-month extension if there were delays due to judicial or administrative proceedings. However, in accordance with the 1988 Appropriations Act, projects approved prior to July 23, 1985, for new construction or substantial rehabilitation must begin within 48 months after notice of selection.

PROGRAM ACTIVITY

Cumulative net obligations, through the end of fiscal year 1989, have totaled $526 million supporting 25,719 units. Of the total, 7,400 units, (29 percent) have been targeted specifically for low-income families. The table below presents the trend in net and gross obligations since the beginning of the program.

	CUMULATIVE THROUGH 1988	FISCAL YEAR 1989	CUMULATIVE THROUGH 1989
	(Dollars in Thousands)		
Gross obligations......	$519,661	$17,336	$536,997
Reuse of recaptures....	-10,949	-1,964	-12,913
Net obligations........	508,712	15,372	524,084

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justification. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years--1989, 1990, and 1991.

BUDGET ACTIVITY 1: HOUSING PROGRAMS

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Total Budget Activity............	$251,202	$251,633	$305,361	$329,182	+$23,821
Full-Time Permanent Appointments, End of Year.....................	5,896	6,060	6,473	6,673	+200
Full-Time Equivalents............	6,053.0	6,000.0	6,446.5	6,906.0	+459.5
Staff-Years......................	6,174.9	6,129.2	6,575.7	7,035.2	+459.5

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The 1991 request is for $329,182 thousand and 7,035.2 staff-years. From the 1990 current funding and staffing levels, the 1991 request reflects increases of $23,821 thousand and 459.5 staff-years. The increased funding and staffing levels support increased workload responsibilities for this office, including responsibility for mortgage insurance accounting activities, which were transferred from Administration and Staff Services during 1990. The 1991 staff-year request includes an increment of 104.6 staff-years in Headquarters to support this function for the full year. The remainder of the increase reflects anticipated workloads in various areas, primarily single family development, loan and mortgage management and property disposition activities.

The funding and staffing levels for the current 1990 estimate reflect partial year resources associated with the transfer of the mortgage insurance accounting function from the Office of Administration.

This Budget also reflects staffing for Program Compliance activities in Headquarters, rather than in the Field. The staff monitors mortgagees engaged in originating single family loans and servicing single family loans, as well as interstate land sales. In previous years, Program Compliance staff were included within Field staff totals. This was because the staff performed a field monitoring function and spent the substantial part of their time away from Headquarters. However, because these employees are actually assigned to Headquarters, it is more appropriate for presentation and record keeping purposes to show them there.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

FUNDING

The following table shows the actual obligations for 1989 and estimated obligations for 1990 and 1991 for this activity by object class.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Personal Services	$220,749	$213,579	$252,037	$270,108	+$18,071
Travel and Transportation of Persons	4,211	4,126	4,441	4,615	+174
Transportation of Things	227	282	281	244	-37
Rent, Communications and Utilities	3,153	4,045	3,563	3,606	+43
Printing and Reproduction	2,139	2,159	2,522	2,689	+167
Other Services	17,376	21,826	38,227	42,172	+3,945
(ADP Services)	(11,461)	(14,568)	(29,667)	(32,724)	(+3,057)
(Selected Contracts)	(2,590)	(3,837)	(4,535)	(5,495)	(+860)
Supplies and Materials	2,040	2,515	2,654	2,701	+47
Furniture and Equipment	1,276	3,075	1,610	3,018	+1,408
Insurance and Indemnities	31	26	26	29	+3
Total	251,202	251,633	305,361	329,182	+23,821

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $251,202 thousand were $1,808 thousand less than the previous estimate of $253,010 thousand. The decrease is the net of higher than anticipated obligations of $3,300 thousand for personal services and decreased costs of $5,108 thousand for support costs. The personal services increase was due to higher salaries and benefits costs. The reduction in support costs was due primarily to lower than expected costs for most support areas, principally automated data services, supplies, and furniture and equipment procurement.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$251,633
Add Congressional action on 1990 Budget request	+14,606
Deduct funds required for sequestration and other reductions	-12,792
Add funds (from Assisted Housing) required for additional staff	+3,503
Deduct for staff transfer to the Office of Drug Free Neighborhoods in the Office of General Counsel	-49
Add for staff transferred from the Office of Administration for the mortgage insurance functional transfer	+14,000
Deduct for staff transferred to Community Planning and Development for consolidation of Homeless programs	-2,260
Add all other personal services changes	+21,450
Add revised estimates for support costs	+15,270
Current 1990 estimate	305,361

The difference in staffing and funding levels from the Budget to the 1990 current estimate reflects the net of Congressional action, the Section 517 reduction, sequestration and other repricing changes. Funding changes are as follows:

-- the addition by the Congress of 411.0 staff-years to support the approval of higher than requested program levels for 1990 required an increase of $14,606 thousand;

-- the Section 517 appropriation reduction, sequestration and personal services repricing required a decrease of 54.0 staff-years from the 1990 Budget, but a decrease of 358.0 staff-years and $12,792 thousand in personal services from the Conference Report level;

-- the staffing increase of 98.0 staff-years for program initiatives out of the special transfer from Assisted Housing resulted in an increase of $3,503 thousand;

-- the transfer of 1.0 staff-year to the Office of General Counsel to establish the Office of Drug-Free Neighborhoods resulted in a reduction of $49 thousand;

-- the transfer of the mortgage insurance accounting and support functions to Housing from Administration and Staff Services resulted in increases of $14 million and 334.8 staff-years in 1990. These amounts represent only a partial year transfer, with additional funding and staff-years (104.6 staff-years) for full year costs reflected in the 1991 estimates;

-- the consolidation of all Homeless programs within Community Planning and Development resulted in decreases in Housing of 59.3 staff-years and $2,260 thousand;

-- all other personal services changes, including the 1990 pay raise ($7,034 thousand) and increasing personal services costs, resulted in a net increase of $21,450 thousand; and

-- a net increase of $15,270 thousand for support costs, primarily associated with the shift of funding responsibilities consistent with the mortgage insurance accounting functional transfer, largely for ADP services, partially offset by decreases required to meet budget reductions.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations..........................	$251,202	$305,361
Changes to staffing level........................	+18,270	+17,130
Functional transfer to Office of General Counsel	-49	...
Functional transfer to Office of Community Planning and Development........................	-2,260	...
Fiscal Year 1990 general pay raise..............	+7,034	+1,800
Fiscal year 1991 general pay raise..............	...	+3,658
Fiscal year 1991 executive pay raise............	...	+81
Rising cost per staff-year.......................	+8,293	...
Budgeted reduction in average cost per staff-year..	...	-4,598
Changes in cost of travel........................	+230	+174
Changes in cost of automated data processing....	+18,206	+3,057
Changes in cost of technical services...........	+1,950	+915
Changes in cost of equipment maintenance........	+1,282	+14
Changes in cost of supplies......................	+614	+47
Changes in furniture and equipment procurement costs..	+334	+1,408
Change to all other support costs...............	+255	+135
Total obligations...............................	305,361	329,182

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

There is an increase of $31,288 thousand in 1990 and an increase of $18,071 thousand in 1991 for personal services costs. The changes reflect the following:

-- an increase in 1990 of $18,270 thousand reflects an increase of 400.8 staff-years above the actual 1989 level and the increase in 1991 of $17,130 thousand reflects an increase of 459.5 staff-years consistent with proposed program levels, including full year support for the mortgage insurance accounting function;

-- a decrease of $49 thousand in 1990 reflects the functional transfer of 1.0 staff-year to the Office of Drug-Free Neighborhoods in the Office of General Counsel;

-- a decrease of $2,260 thousand in 1990 reflects the functional transfer of 59.3 staff-years consistent with the consolidation of all Homeless programs within the Office of Community Planning and Development;

-- the general pay raise which became effective during January 1990 is estimated to require an increment of $7,034 thousand during 1990 and a further increment of $1,800 thousand during 1991;

-- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $3,658 thousand shown would cover a portion of the total requirement;

-- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $81 thousand shown would cover a portion of this requirement;

-- the rising average salaries and benefits costs will require an additional $8,293 thousand in 1990; and

-- a budgeted reduction of $4,598 thousand in the average cost per staff-year in 1991 reflects the requirement to absorb pay raises and other personal services increases.

Support costs increase $22,871 thousand and $5,750 thousand in 1990 and 1991, respectively. The changes reflect the following:

-- changes in travel costs reflect increases of $230 thousand and $174 thousand in 1990 and 1991, respectively. These increases are consistent with the program and staff levels to be supported;

-- increases in automated data processing (ADP) services of $18,206 thousand and $3,057 thousand in 1990 and 1991, respectively. The 1990 increase primarily reflects the shift of funding responsibility for ADP services for mortgage insurance accounting activities from Administration and Staff Services. The increase in 1991 reflects increased systems development to support the Secretary's program and financial management reform initiatives;

-- increases in Technical Services of $1,950 thousand and $915 thousand in 1990 and 1991, respectively. These increases provide funding for mortgage insurance accounting support contracts, full year funding for the Tenant Eligibility Quality Control Study, and other initiatives. For 1991, an increase for the Tenant Eligibility Quality Control Study ($405 thousand) and funding for the Temporary Mortgage Assistance Payments (TMAP) program ($1 million) are partially offset by some decreases. These contracts are discussed in more detail later in this Justification;

-- increases for equipment maintenance of $1,282 thousand and $14 thousand in 1990 and 1991, respectively;

-- increases in furniture and equipment procurement costs of $334 thousand and $1,408 thousand in 1990 and 1991, respectively. These changes in furniture and equipment costs support office automation initiatives; and

-- increases of $255 thousand and $135 thousand in 1990 and 1991, respectively, for all other support costs for this activity.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

4. CONTRACTS

Contractual support for items unique to this activity is included in this object class under technical services, data and statistical services, audit services, and management studies. The following table identifies the costs for each of those categories and is followed by a brief description of the specific contracts included.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Technical Services............	$1,830	$3,160	$3,780	$4,695	+$915
Data and Statistical Services.	100	117	117	150	+33
Audit Services................	660	560	500	600	+100
Management Studies............	...	...	138	50	-88
Total....................	2,590	3,837	4,535	5,495	+960

a. Technical Services .... $ 4,695 Thousand

(1) Manufactured Homes Annual Ad Hoc Enforcement Testing...($150 Thousand)

This continued contractor testing of manufactured housing components establishes a basis for requiring manufacturers to conduct recall campaigns to correct defects and to enforce the prohibition against falsely certifying defective components. Defective components in manufactured homes have resulted in discomfort, injury and death to occupants. Tests are performed on such components as gas valves, circuit breakers, furnace flues, glass doors, egress windows, and roof trusses. The tests may be used to support legal action against manufacturers which do not meet these requirements.

(2) Econometric Models .... ($5 Thousand)

These funds are needed to continue contractual services to maintain access to up-to-date and comprehensive data sources for studies and reports on the mortgage and capital markets. The data is used in such recurring reports as 1) the availability of funds for housing, 2) tax-exempt sources of mortgage credit, 3) the contribution of the Federal and Federally sponsored credit agencies in the mortgage market, and 4) the secondary mortgage market.

(3) Tenant Eligibility Quality Control .. ($2,000 Thousand)

These funds are requested for continued contractor services for a quality control system to reduce tenant fraud and administrative errors in determining eligibility and setting rents in assisted housing. This system is designed to transfer the use of rental housing units from ineligible to eligible households. It will also reduce per-unit program costs by controlling administrative errors and decreasing subsidies for households that underreport income.

The quality control system includes the following components: front-end income matches to improve the accuracy of income verification before applicants become tenants; periodic income matches to improve the accuracy of recertification; and a system which uses periodic samples to measure the extent of payment errors and to initiate corrective action. Outlay savings from this effort have already been assumed in the affected program Budgets in assisted housing.

The contractor has designed the system. A pilot test of the sample design is scheduled for 1990. The contractor is scheduled to hire and train staff for conducting a full sample in 1991.

(4) Section 8 Financial Management and Budgeting System .... ($180 Thousand)

Contractor services are required for the development of a system for financial management and budgeting relating to the Section 8 programs. Work on developing the system is to begin in 1990 and continue in 1991.

The first part of this project is an urgent effort that will use existing data systems to analyze expiring subsidy contracts. This analysis will determine the timing of contract expirations, the number of replacement housing vouchers required, and the level of funding necessary to support the extension of existing contracts or the conversion of other subsidy programs. The data required for these determinations includes number of units, bedroom sizes, fair market rents, and contract expiration dates.

The second part of this project is the development of a new system that will provide a permanent capability of producing comprehensive reports for financial management and budgeting. Reports will be available on an individual project basis or by Field Office or Regional Office as well as nationally. Both long-term budget requirements and the status of individual subsidy contracts are to be reported.

(5) Temporary Mortgage Assistance Payments (TMAP) Program Administration .... ($1,000 Thousand)

These funds are requested to provide for a contract for automation and accounting support. The contractor will provide ADP services to account for receipts of both the mortgagor's and HUD's share of the monthly mortgage payments and will prepare disbursement data for funds to be transferred to various mortgage servicers. Funds from the mortgagors will be received by a lockbox facility, deposited to HUD's account at U.S. Treasury, and payment data transmitted to the contractor for recording in mortgagor accounts. HUD's funds will be disbursed by the U.S. Treasury to various mortgage servicers, with disbursement data recorded by the contractor in mortgage accounts. The contractor will provide monthly billings, accounting reports, and reports for monitoring timeframes for periodic reviews, changes to accounts, and expirations of assistance. In addition, the contractor will perform similar functions with regard to repayment of TMAP loans.

(6) Fair Housing Cost Estimation Study... ($50 Thousand)

Contractor services are required for a study of estimating costs associated with meeting the accessibility requirements provided for by the Fair Housing Amendments Act of 1988. This cost estimation information is to be used in conjunction with HUD's Accessibility Guidelines. The information is provided for the proper estimation of additional construction costs that will be incurred in meeting the Guidelines.

(7) Fair Housing Technical Assistance.... ($0 Thousand)

This is to be contracted for in 1990 at a cost estimated at $100 thousand. It is discussed here, although no funds are being requested for 1991.

Contractor services are required for the preparation of technical assistance materials, including a design manual, that will illustrate applications of the HUD Accessibility Guidelines pursuant to the Fair Housing Amendments Act of 1988. These materials will be an essential supplement to the Guidelines for developers; for disability organizations, which will be monitoring compliance; and for HUD staff who will be explaining the Guidelines.

(8) Management Contracts Monitoring.......... ($0 Thousand)

Contractor services are required for this effort at improving HUD's monitoring of the performance of Project Managers (PMs) and Area Management Brokers (AMBs). Work is to begin in 1990 at an estimated funding level of $300 thousand. These PMs and AMBs are under contract with HUD to assure the proper management of properties for which HUD is responsible. This monitoring contract will include an evaluation of the benefits to HUD of improved monitoring and recommendations for a permanent monitoring system.

(9) Analysis of Personnel Costs of PHAs Administering Section 8 Programs........ ($30 Thousand)

This is a new contract for 1990 that will continue in 1991. These funds are being requested to conduct a study of personnel costs of PHAs administering the Section 8 programs to determine if salaries of executive directors and staff are commensurate with their responsibilities. It is also intended to determine if salaries should be based on a comparability study.

(10) Risk Management Report.................... ($100 Thousand)

This is a new contract for 1990 estimated at $200 thousand that will be continued in 1991 at a funding level of $100 thousand. This contract will provide funds for a program-by-program Risk Management Report on the FHA insurance programs. This will be accomplished by sampling and analysis rather than relying exclusively on actuarial estimation. This analysis will be a means of assisting management in assessing where to direct its attention and resources. High priority problems will be identified to draw the attention of managers and minimize FHA losses. This will help assure that management priorities are results-oriented rather that process-oriented. Housing must implement management strategies, diversification plans, and marketing campaigns that will serve lower income families while minimizing losses or, in fact, producing surpluses.

NOTE: Responsibility for the following three contracts was transferred from Administration and Staff Services along with the functional transfer of mortgage insurance accounting activities.

(11) Service Center Operations .... ($1,000 Thousand)

This contract was previously titled "One-Time Mortgage Insurance Premiums." This contract has a two-fold purpose: (1) It will provide contractor services to handle the large volume of telephone and written inquiries from the public sector regarding distributive shares, one-time mortgage insurance premiums (OTMIPs), OTMIP refunds and single family mortgage notes. There are about 40,000 telephone inquiries each month. The contract services will be performed at a HUD-approved contractor facility in the Washington, D.C., metropolitan area. The increase in 1990 over the budgeted figures reflects the increased volume of public inquiries resulting from the tremendous impact of media exposure. (2) It will provide contractor services for responding to approximately 6,500 written requests under the Freedom of Information Act (FOIA) to obtain listings of people due unpaid distributive shares or refunds. The contractor provides services to respond to the initial request with a FOIA flyer and subsequently with the state listing once payment is received for the listing.

(12) Claims Mail Processing............... ($170 Thousand)

Contractor assistance is needed for picking up, opening, sorting and distributing the large volume of mail received in the Insurance Claims Division. The timely and efficient processing of claims is directly related to the expeditious processing of the mail (OIPS is providing partial service under contract for 1989). The contractor handles the mail within 24 hours of receipt. The contractor will also assemble the claim documents in the binders prior to forwarding them to the examiners for claims initiation and review. This allows us to pay claims faster, which results in less payment of interest to mortgagees and savings to the Government.

Claims, filled out correctly, are currently paid within 5 to 8 days of the date received and accrue an average of $20 a day for interest on each claim. Approximately 475,000 single family and Title I claims, correspondence, and miscellaneous documents are received annually. The contract is needed to maintain our current level of operation. Neither present staff nor the budgeted staff level is sufficient to handle this workload.

(13) Files Maintenance..................... ($10 Thousand)

Funds are needed for contractor assistance in handling file maintenance workload during 1990 and 1991. This includes, but is not limited to the set-up and maintenance of file records on new sales packages. We receive about 80,000 new sales packages a year which require file set-up and maintenance. It is critical that these files be maintained properly and efficiently.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

b. Data and Statistical Services

Manufactured Homes Annual Data Collection and Consumer Survey .... $150 Thousand

These funds are provided by transfer from the Manufactured Home Inspection and Monitoring Program to continue contractual services to collect necessary data and consumer information required to make improvements in manufactured home standards. The National Manufactured Housing Construction and Safety Act requires the Department to collect data in support of the proposed improvements for the safety and durability of manufactured homes. The contractual services enable the Department to fulfill its obligation under the Manufactured Housing Act to provide a Biennial Report to Congress on the quality of manufactured homes. This contract also enables the Department to obtain data in order to upgrade the Federal standards for manufactured homes by eliminating standards which do not enhance the safety, durability, and liveability of manufactured homes and to add standards where data show that problems exist. In further compliance with the Manufactured Housing Act, this contract will also provide emergency room injury data collection relative to manufactured homes. This data will identify and measure the magnitude of the injury problems associated with manufactured homes.

c. Audit Services .... $600 Thousand

These funds are required for independent financial audits of the Federal Housing Administration. The fiduciary responsibilities of the Federal Housing Administration require that it provide the Congress and the public with adequate financial reports that demonstrate program accountability and responsible financial leadership. The FHA is a large financial institution that must be run in a financially responsible manner and on an actuarily sound basis.

NOTE: Responsibility for the following contract was transferred from Administration and Staff Services along with the functional transfer of mortgage insurance accounting activities.

d. Management Studies

Professional Consulting.................... $50 Thousand

Funds are needed for continued contractor support to perform a wide range of activities that are critical to mortgage insurance accounting operations. Professional consulting services will be used to perform several special projects and reviews. These tasks are in areas where the required expertise is needed for a short time to meet urgent operational commitments. This technique enables us to meet our goals without incurring the expense of permanent staff. Normal employment practices would result in temporary imbalances. This contract permits us to bring on board personnel with the skill level appropriate to the immediate task and release them immediately after the task is accomplished. During 1990 and 1991, contractor support will be required to: (a) Assess the adequacy of system requirements and internal controls for the replacement system for One-Time Premium, Single Family Insurance and Single Family Claims modules of the Single Family Mortgage Insurance System (SFMIS) (A80). This is required to comply with the requirements of OMB circulars A-123 and A-127 and with OIG requirements. In 1991 we will be required to test the adequacy of controls upon completion of the SFMIS System. (b) Research items in our budget clearing accounts. (c) Integrate personal computer applications. (d) Develop and document procedures and reconciliations.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Housing staff is responsible for performing functions pursuant to legislation which authorizes the Department to enter into contracts for the development and operation of projects for occupancy by very low-income, low-income and moderate-income households; to provide direct loans to nonprofit sponsors for the development of housing for the elderly or handicapped; to underwrite mortgage or loan insurance to finance new construction, rehabilitation or the purchase of existing dwelling units; and to conduct several regulatory functions.

The principal legislative authorizations for the listed activities are:

- the U.S. Housing Act of 1937, as amended, which authorizes assistance to lower-income or moderate-income households under Sections 8 and 17 of the Act;
- the National Housing Act, as amended, which authorizes the provision of mortgage or loan insurance for single family and multifamily housing and other related facilities such as nursing homes and manufactured home courts and the provisions of interest reduction payments for the Section 235 Homeownership Assistance program and the Section 236 Rental Housing Assistance program;
- Section 201 of the Housing and Community Development Amendments of 1978, authorizing assistance to restore or maintain the financial soundness, to improve the management and to maintain the low- to moderate-income character of certain assisted projects;
- Section 202 of the Housing Act of 1959, as amended, which authorizes direct loans for the development of housing exclusively for the elderly or handicapped;
- Title IV of the Housing and Community Development Amendments of 1978, authorizing the Congregate Housing Services program;
- Section 101 of the Housing and Urban Development Act of 1965, as amended, which authorizes rent supplements on behalf of needy tenants living in privately owned, privately operated and privately financed housing;
- the Interstate Land Sales Full Disclosure Act, Title XIV of P.L. 90-488, as amended, which requires developers of subdivisions to file registration statements with the Secretary where mail or interstate commerce is involved;
- the National Manufactured Home Construction and Safety Standards Act of 1974, Title VI of P.L. 93-863, which authorizes HUD to develop and enforce construction and safety standards for all manufactured homes sold in the United States;
- the Real Estate Settlement Procedure Act of 1974, P.L. 93-353, as amended, which authorizes the regulating of certain lending practices and settlement and closing procedures in Federally related mortgage transactions to eliminate unnecessary costs and to minimize difficulties of settlement; and
- the Lead-Based Paint Poisoning Prevention Act of 1971, as amended, which authorizes (1) the establishment of procedures to eliminate the hazards of lead-based paint in any existing house which is covered by an application for mortgage insurance or housing assistance payment, and (2) procedures to eliminate the hazards of lead-based paint poisoning in all Federally owned properties prior to sale when their intended use is residential.

2. WORKLOAD

The principal functions conducted by Housing staff are as follows:

-- performing preapplication and other review activities through to construction completion, execution and closing of contracts and mortgages;

-- performing physical inspections of projects and units constructed, rehabilitated or insured under Departmental programs;

-- developing underwriting standards, making actuarial determinations, and establishing fees and premiums for mortgage insurance for homes and projects and other financial and related assistance authorized by the National Housing Act;

-- participating in the analysis, review and evaluation of HUD-insured, Section 8, and other multifamily projects during the construction and occupancy stages;

-- developing instructions and issuances for the Section 8 program such as for Fair Market Rents and Annual Adjustment Factors;

-- reviewing and monitoring multifamily and Section 8 projects to ensure that appropriate management activities are conducted and resources are used in accordance with approved plans and agreements;

-- reviewing and monitoring state agency administration of federal housing programs;

-- conducting periodic management reviews of the Section 8 Existing Housing, Moderate Rehabilitation, and Housing Voucher programs covering such areas as (1) income recertifications, (2) occupancy audits, (3) financial reviews, (4) engineering surveys, (5) maintenance inspections, (6) administrative practices, and (7) rent determinations;

-- servicing HUD-insured and HUD-held mortgages for home and multifamily mortgage insurance programs, negotiating forbearance agreements, and processing requests for assignments of mortgages;

-- performing liquidation and collection functions under Title I of the National Housing Act;

-- managing the Housing for the Elderly or Handicapped Loan program;

-- performing property disposition activities which include supervision of Area Management Brokers, rehabilitation of acquired properties, management of the property inventory, and sale of HUD-owned properties;

-- servicing the mortgages of the Community Disposition program covered under the Atomic Energy Community Act of 1955, as amended;

-- examining registration statements and other required material from developers of subdivisions involved in interstate commerce to determine their formal and legal adequacy and issuing exemption orders and advisory opinions;

-- developing and enforcing construction and safety standards for all manufactured homes; and

-- certifying or recertifying housing counseling agencies.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

3. SUMMARY OF STAFFING REQUIREMENTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters........	558	535	1,107	1,107	...
Field...............	5,338	5,525	5,366	5,566	+200
Total.............	5,896	6,060	6,473	6,673	+200

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters........	600.7	543.6	983.4	1,117.0	+133.6
Field...............	5,574.2	5,585.6	5,592.3	5,918.2	+325.9
Total.............	6,174.9	6,129.2	6,575.7	7,035.2	+459.5

NOTE: Full-time permanent positions and staff-years for Program Compliance are shown in Headquarters in Actual 1989, Current 1990 and Estimate 1991 but in the Field in Budget 1990.

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel........	5,776.0	6,282.6	6,595.4
Temporary and Part-Time Employees....	288.9	174.1	320.8
Overtime.............................	81.7	87.0	87.0
Terminal Leave.......................	28.3	32.0	32.0
Total Staff-Years..................	6,174.9	6,575.7	7,035.2

A description of the last three categories of employment is included under the discussion for the appropriation, "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary, and intermittent employment; and special programs which include employment of the handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

1. HEADQUARTERS EMPLOYMENT

The Headquarters staff performs the following principal functions:

- develops program and policy recommendations for all Housing programs;
- directs and coordinates the administration of all Housing programs and provides technical assistance and procedural guidance to the Field staff;
- monitors, reviews, and evaluates Field program operations and reviews administrative practices of local agencies to ensure that programs are managed efficiently and that services and assistance are provided as intended;
- administers regulatory functions of the Department as required; and
- provides private market financing assistance to local agencies, and administrative, management, statistical and budget support.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

The following table indicates the distribution of full-time permanent (FTP) appointments and staff-years at Headquarters.

	FULL-TIME PERMANENT APPOINTMENTS				
OFFICE	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Assistant Secretary:					
Immediate Staff..................	11	13	a/	a/	a/
Field Monitoring Staff...........	7	7			
Transitional Housing Staff.......	15	21			
Subtotal....................	33	41			
Policy, Financial Management and Administration:					
Deputy Assistant Secretary......	6	5			
Quality Control Staff...........	...	8			
Policy and Program Development..	12	12			
Financial Management............	49	47			
Management......................	69	69			
Subtotal....................	136	141			
Single Family Housing:					
Deputy Assistant Secretary......	8	8			
Lender Activities and Land Sales Registration b/.................	96 b/	54			
Single Family Housing...........	70	70			
Manufactured Housing and Regulatory Functions...........	57	56			
Subtotal....................	231	188			
Multifamily Housing Programs:					
Deputy Assistant Secretary......	8	8			
Multifamily Housing Development.	41	44			
Multifamily Housing Management..	63	69			
Elderly and Assisted Housing....	46	44			
Subtotal....................	158	165			
Total Full-Time Permanent Appointments, End of Year...	558	535	1,107	1,107	...
	STAFF-YEARS				
Total Staff-Years...............	600.7	543.6	983.4	1,117.0	+133.6

a/ A detailed breakout of these FTPs will be provided separately. The Housing reorganization is currently pending the Secretary's review and approval. The material supplied separately will include the "Detail of Full-Time Permanent Employment" chart normally found at the end of this section.

b/ Includes Program Compliance previously shown under Field staffing.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

a. Changes from the 1990 Budget Estimates

The 1990 current estimate reflects several significant changes in Headquarters staffing. The changes shown are the net effect of the "Department of Housing and Urban Development Reform Act of 1989" (Reform) implementation, the major changes in program direction of the Bush administration, and the internal management improvements initiated to assure that the staff of Office of Housing is able to address problems of the highest priority first.

The specific changes are described below:

(a.) Reform.

(1.) The consolidation of the accounting and program functions that resulted from the transfer on December 17, 1989, of the mortgage insurance accounting function from Administration and Staff Services to the Office of Housing.

(2.) The establishment of an FHA Comptroller and Comptroller staff reporting directly to the Assistant Secretary for Housing-FHA Commissioner to directly oversee the financial operations of Federal Housing Administration.

(b.) Bush Initiatives.

(1.) The transfer of the Transitional Housing Program from the Office of Housing to the Office of Community Planning and Development (CPD) to consolidate all homeless activities in the Office of CPD.

(2.) The establishment of the Office of Preservation within the Office of the Deputy Assistant Secretary for Multifamily Housing area to implement the Homeownership and Opportunity for People Everywhere (HOPE) initiatives relating to the preservation of low income housing subject to mortgage prepayment.

(c.) Internal Management Improvements.

The Budget reflects Program Compliance activities in Headquarters rather than in the Field. This activity is staffed by out-stationed Headquarters personnel to assure its independence. The activities of this staff include the monitoring of mortgagees engaged in origination of single family loans, mortgagees engaged in the servicing of single family loans, and interstate land sales activities. In previous years, Program Compliance staff were included within Field staff totals. This was because the staff performed a field monitoring function and spent the substantial part of their time away from Headquarters. However, because these employees are actually assigned to Headquarters, it is more appropriate for presentation and record keeping purposes to show them there.

b. 1991 Budget Estimate

The 1991 Budget estimate includes the full staff-year impact of the transfer of the mortgage insurance accounting and servicing function to the Office of Housing and the full staff-year impact of the establishment of the FHA Comptroller and FHA Comptroller Staff, in accordance with the proposed reorganization.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

2. FIELD EMPLOYMENT

The following tables indicate the distribution of Field staff by specific activities within major functional areas--development and management.

FUNCTION	FULL-TIME PERMANENT APPOINTMENTS ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Development Activities.............	2,056	1,857	1,927	1,939	+12
Management Activities..............	3,282	3,619	3,439	3,627	+188
Program Compliance Activities......	...	49 a/	...	...	...
Total Full-Time Permanent Appointments, End of Year.......	5,338	5,525	5,366	5,566	+200

	STAFF-YEARS ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Development Activities:					
Section 8 Program b/............	49.9	67.7	64.5	80.7	+16.2
Section 202 Program.............	340.1	283.1	442.8	424.1	-18.7
Rental Housing Development Grant Program..................	4.0	5.9	6.8	6.4	-0.4
Homeownership Opportunity and Prosperity for Everyone Program	...	...	...	10.0	+10.0
Multifamily Insured Programs....	238.1	225.6	230.6	204.4	-26.2
Subtotal, Multifamily.........	632.1	582.3	744.7	725.6	-19.1
Single Family Insured Programs..	1,249.6	1,159.3	1,223.3	1,269.9	+46.6
Housing Trainee Program.........	60.0	60.0	60.0	60.0	...
Subtotal, Program Activities..	1,941.7	1,801.6	2,028.0	2,055.5	+27.5
General Direction.................	199.2	215.0	225.0	225.0	...
Subtotal, Development...........	2,140.9	2,016.6	2,253.0	2,280.5	+27.5
Management Activities:					
Section 8 Program c/............	181.2	263.6	251.8	266.7	+14.9
Supportive Housing Demonstration Program.........................	22.4	44.3	...	...	...
Multifamily Information and Processing System (MIPS) Development.....................	8.0	8.0	8.0	8.0	...
Loan/Mortgage Management........	1,974.9	2,219.2	2,288.0	2,467.7	+179.7
Property Disposition............	1,055.5	1,298.0	1,325.7	1,381.7	+56.0
Subtotal, Program Activities.	3,242.0	3,833.1	3,873.5	4,124.1	+250.6
General Direction.................	165.3	135.0	187.0	187.0	...
Subtotal, Management............	3,407.3	3,968.1	4,060.5	4,311.1	+250.6
Program Compliance Activities.....	...	60.0 a/	...	...	...
Management Adjustment.............	...	-487.5	-749.6	-701.8	+47.8
Subtotal, Housing Activities....	5,548.2	5,557.2	5,563.9	5,889.8	+325.9
Terminal Leave....................	26.0	28.4	28.4	28.4	...
Total Staff-Years...............	5,574.2	5,585.6	5,592.3	5,918.2	325.9

a/ Now included under Headquarters staffing.

b/ This category includes Section 8 Existing Housing, Moderate Rehabilitation and Vouchers. Section 8 New and Substantial Rehabilitation are included in Multifamily Insured Programs.

c/ This category includes Section 8 Existing Housing, Moderate Rehabilitation and Vouchers. Section 8 New and Substantial Rehabilitation are included in Loan/Mortgage Management.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

a. Changes.

(1) The 1990 current estimates of 5,366 full-time permanent (FTP) appointments and 5,592.3 staff-years are 159 positions lower and 6.7 staff-years higher than the 1990 Budget estimates. The workload changes are discussed below:

(a) Development

i. Section 202 activity and staffing has been increased to move the pipeline of projects toward completion. In addition, the unit cost allowed for projects under construction was increased in order to provide adequate project inspection to assure proper construction.

ii. Staffing for Single Family insurance underwriting has increased in proportion to projected application levels. Adjustments in the expected unit costs did not affect the overall staffing for this function.

iii. The total for the General Direction function (Development and Management combined) is increased by six to recognize the directors (and their secretaries) of the three Title I Service Centers. Regional Staff has been redistributed to place more emphasis on Management activities. Additional staff has been allocated to Regional Offices for technical assistance, oversight and training.

iv. Staffing continues to be shown for the Multifamily Coinsurance program for consistency with the FHA Justification. It is assumed that the staff shown for coinsurance will be needed for increased workload in HUD's other insured multifamily programs or for any successor program to Coinsurance. Previously, staffing for coinsurance was combined with staffing for HUD processed programs so displaying coinsurance separately required that separate unit costs be developed for each component.

(b) Management

i. Increased Multifamily loan management staffing is required for more intensive monitoring of coinsured projects and for implementing the new automated system for processing subsidy payment vouchers. This system will reduce errors and, in particular, will minimize overpayments.

ii. A combination of declining trends in single family defaults and improvements in reporting have resulted in a reduction in this workload.

iii. The guidelines for capturing multifamily property disposition workload were revised to improve accuracy. This, together with a lower anticipation of contract work, has resulted in a reduced staffing requirement. However, this change is offset by increased workload estimates for single family property disposition and a modest reduction in the volume adjustment to allow for an improved quality of performance.

(2) The 1991 Budget estimate is for 5,566 FTPs and 5,918.2 staff-years, increases of 200 FTPs and 325.9 staff-years from the 1990 current estimates. The projected workload changes are as follows:

(a) Development

Staffing reflects changes in budgeted workload levels. Ten staff-years are provided for Housing grants in the Homeownership Opportunty and Prosperity for Everyone (HOPE) program.

(b) Management

Loan management requires substantially increased staffing primarily because of large numbers of projected mortgage assignments for both home properties and projects.

b. Development Staff. The Housing development staff works directly with PHAs and other governmental entities, sponsors, developers, and mortgagees in the preparation, review, and approval of applications for housing assistance, direct loans, and mortgage insurance. Staff activities begin with the initial inquiry about obtaining program assistance and continue through the review and approval of the application, the execution of assistance contracts, inspection and completion of construction, and closing of loans; execution of Housing Assistance Payment contracts; and final endorsement of insurance of the mortgage. These activities are designed to ensure protection of the Federal investment. The principal types of professionals employed and their related major functions follow:

Construction analysts/architects examine multifamily project sites and advise designers about the preparation of construction contract documents. The examination of construction drawings and specifications for conformance with Departmental standards, policies, and procedures also applies to submissions under the Single Family Housing programs. Construction analysts/architects also monitor construction contract administration for insured multifamily housing projects.

Cost analysts are responsible for the development and maintenance of construction cost data for multifamily dwellings. These personnel advise and assist housing sponsors on technical matters regarding construction costs, analyze construction cost data, and select prevailing prices for use in making replacement cost estimates. They also prepare quality analyses and construction cost comparisons which reflect locality adjustment percentages for periodic cost reports. Cost analysts also collect home improvement cost data for single family homes.

Multifamily appraisers are responsible for reviewing market acceptability, determining rent levels that can be obtained in the market place, establishing the appraised value of land, and forming the initial environmental review.

Engineers provide direct assistance and consultation to construction analysts/architects on complex mechanical, electrical, structural, civil and sanitary engineering problems.

Mortgage credit examiners and financial analysts determine the financial feasibility of applications for subsidies, loans, and mortgage insurance. Using information that has been developed by other HUD staff, they determine whether the proposed development or purchase is a sound financial undertaking for the particular program, i.e., whether the agency, sponsor, or mortgagor has the ability to liquidate the debt to be incurred in the development of the proposed housing. Upon completion of a project, they review and approve the cost certifications prior to final endorsement.

Appraisers make real estate appraisals of vacant sites and existing improvements in conjunction with applications for insured multifamily housing and the direct loan programs. Appraisers also complete environmental evaluation reports for proposed sites.

Multifamily housing representatives advise applicants about preparing applications and ensure that applications are consistent with program policies and criteria. They also coordinate the review of applications in order to provide liaison among HUD staff, developers, sponsors and applicants.

(1) Section 8 Program. The Field staff has the responsibility for processing the remaining development pipeline of new construction and substantial rehabilitation projects and carrying out the Existing Housing, Moderate Rehabilitation and Voucher programs. They also are required to review submissions for compliance with program requirements; prepare and execute development agreements and contracts; provide technical assistance; and, where applicable, coordinate the Section 8 proposals with other programs such as Section 202 Housing for the Elderly or Handicapped or the HUD mortgage insurance programs. Under the Existing Housing program, the Field staff are required to prepare and publish invitations to PHAs, review PHA submissions, and recommend approval or disapproval of agreement or contract documents. In addition, the Field staff are responsible for training both HUD and PHA staff about new program procedures.

(2) Housing for the Elderly or Handicapped. These activities for the Section 202 program are explained above under "b. Development Staff" and "(1) Section 8 Program."

(3) Rental Housing Development Grant Program. Field staff in conjunction with Headquarters staff are responsible for implementing the Rental Development Grant program which was authorized in the Housing and Urban-Rural Recovery Act of 1983. The program, now discontinued, provided grants to States, cities and urban counties for construction or the substantial rehabilitation of rental housing.

(4) Homeownership Opportunity and Prosperity for Everyone Program (HOPE). Field staff will be responsible for implementing this proposed program which involves grants and other assistance for increasing homeownership.

(5) Multifamily Insured Programs. These activities are explained above under "b. Development Staff."

(6) Single Family Insured Programs. Field staff are responsible for all one- to four-family home mortgage insurance activities as explained in the Mortgage and Loan Insurance (FHA Fund) section of these Justifications. These activities include the processing of home mortgage insurance applications and issuance of mortgage insurance commitments and mortgage insurance pursuant to such commitments. The staff also maintain liaison with lending institutions to obtain information on trends in the mortgage market for use in evaluating housing market conditions as a basis for local planning and operations. The HUD staff also review appraisals and inspections of single family properties that are performed by private appraisers and inspectors who are on HUD fee panels.

c. Management Staff. The primary objective of the management staff in the Field Offices is to preserve the quality and fiscal integrity of HUD assisted/subsidized/insured housing. These activities are the responsibility of three staff groups: the Assisted Housing staff is responsible for the subsidized housing programs, including Section 8 units developed or administered by local PHAs; the Loan/Mortgage Management staff is responsible for the management and servicing of HUD-insured and HUD-held mortgages, and the management of the Direct Loan portfolio; and the Property Disposition staff is responsible for the management and disposition of HUD-owned properties.

(1) Section 8 Program. The Field staff has responsibility for management functions related to the Section 8 Housing Assistance Payments program. Functions include overall responsibility for ensuring that financial, physical, social and management policies and procedures are met. Management activities also include conducting on-site inspections of dwelling units and participant files.

Housing management officers are the primary contact with PHAs with respect to Housing Management activities. They provide technical assistance to PHAs concerning general management and administrative functions, including advice on staffing, personnel policies, procurement, insurance, training, rent collections, vacancy problems, and vandalism and crime prevention. They also conduct periodic management reviews and secure correction of their findings. In addition, they are responsible for promoting the effective and efficient operation of the PHAs and for coordinating all Housing management specialist activities.

Financial management analysts are responsible for financial management, budgeting, and fiscal control. The financial management analysts also conduct on-site PHA financial management reviews and surveys.

Occupancy specialists review and monitor HUD rental and occupancy policies and procedures for subsidized housing, and make appropriate recommendations to PHA management. This involves reviewing and monitoring rent schedules, income limits, leases, tenant eligibility and income certifications; approval of monthly payment vouchers; and conduct of occupancy reviews and audits.

Special emphasis is placed on HUD policies and standards in areas such as lease and grievance procedures, tenant selection, and rent and income criteria.

(2) Loan/Mortgage Management. Loan/Mortgage Management Field personnel are responsible for the servicing and management of HUD-insured and HUD-held mortgages to forestall and reduce losses to the various mortgage and loan insurance programs. In addition, they perform loan management and servicing functions for the Section 202 Housing for the Elderly or Handicapped Loan portfolio, and the noninsured project mortgage portfolio, as explained in the applicable program Justifications.

Additional responsibilities include monitoring project management and operations; performing physical, financial management and occupancy reviews; processing proposed rent increases, transfers of physical assets, and releases from reserves and escrows; reviewing certifications/recertifications and vouchers; amending subsidy contracts associated with the Rent Supplement, Section 8, and Rental Assistance Payment projects; handling default problems, mortgage assignments, modifications, forbearance and work-out agreements; performing debt collection functions; and recommending action on foreclosures, conveyance, and taking deeds in lieu of conveyance.

Servicing of single family mortgages and Title I home improvement or manufactured home loans includes the development of a comprehensive program for review of lenders' servicing practices and provision of financial relief through various forms of forbearance to avoid or cure mortgage or loan defaults. Loan and mortgage servicing specialists also perform periodic reviews to evaluate the status of mortgages or loans and to identify problems and take action to avoid potential defaults. Title I loan servicing specialists also provide technical assistance to the U.S. attorneys in connection with accounts turned over to the Department of Justice for collection.

The staff is also responsible for certifying and recertifying local public and private nonprofit agencies as acceptable counselors for potential homebuyers, homeowners and renters under HUD-assisted and HUD-insured programs.

(3) Property Disposition. Property Disposition Field personnel have responsibility for disposing of all HUD-owned properties as explained in the "Mortgage and Loan Insurance (FHA Fund)" Justification. Disposition is conducted in the most expeditious manner possible while at the same time protecting the Department's investment by ensuring the maximum dollar return to the FHA Fund or other applicable funds consistent with the need to preserve and maintain the existing housing stock. These objectives are accomplished through utilization of the private sector of the market, consisting chiefly of the real estate industry, repair contractors and mortgage lenders.

Realty specialists have oversight responsibility for rental, repair, improvement, alteration, maintenance, operation, management and sale of all HUD-owned properties for all HUD housing programs. They supervise and coordinate the home and multifamily property disposition activities of Area Management Brokers and multifamily project managers, respectively. This staff prepares disposition programs and establishes sales prices; develops manager qualifications; conducts pre-bid meetings; issues invitations to bid; develops financing sources; approves or rejects purchase offers that may be submitted by selling brokers; establishes rental rates; administers procurement contracts; develops offering prices on properties; and takes all necessary actions to protect the interest of the Department while disposing of HUD-owned properties.

Construction/contracting specialists are responsible for the professional and technical aspects of rehabilitation, repair, upgrading and maintenance of HUD-owned properties. These personnel obtain procurement contracts for all supplies and services including repairs, maintenance, operation and management, and they safeguard such property by utilizing the most effective and economical practices to assure compliance with Federal statutory and regulatory requirements.

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

DETAIL OF HOUSING FIELD STAFFING REQUIREMENTS

Resource Allocation Guideline	Indicator (Work unit)	Fiscal Year 1990			Fiscal Year 1991		
		Projected Accomplishment	Projected Unit Cost	Staff-Years	Projected Accomplishment	Projected Unit Cost	Staff-Years
DEVELOPMENT							
Multifamily							
Sec 8 Non-Insured Existing, Vouchers & Mod. Rehab. ACC Executions.......	ACC	3,354	40.00	64.5	4,212	40.00	80.7
Section 202							
Reservations..........	Project	513	150.00	37.0	464	150.00	33.3
Starts................	Project	884	550.00	233.8	713	550.00	187.8
Final Closing.........	Project	360	800.00	138.5	440	800.00	168.6
Total, Section 202.				409.3			389.7
Insured Multifamily HUD Processed:							
Firm Commitments...	Project	145	1,300.00	90.6	123	1,300.00	76.6
Init End/Const/Post	Project	325	550.00	85.9	284	550.00	74.8
Coinsurance:							
Firm Commitments...	Project	317	240.00	36.6	317	240.00	36.4
Total, Ins. MF.....				213.1			187.8
Rental Housing Dev. Grant Program Approved not Closed..	Project	235	60.00	6.8	223	60.00	6.4
Homeownership and Opportunity for People Everywhere...				...			10.0
Data Bank Maintenance	MF Office	51	2,080.00	51.0	51	2,080.00	51.0
Total, All MF......				744.7			725.6

a/ Staffing for the Multifamily Coinsurance program is shown for consistency with the FHA Justification.

DETAIL OF HOUSING FIELD STAFFING REQUIREMENTS

Resource Allocation Guideline	Indicator (Work unit)	Fiscal Year 1990: Projected Accomplishment	Fiscal Year 1990: Projected Unit Cost	Fiscal Year 1990: Staff-Years	Fiscal Year 1991: Projected Accomplishment	Fiscal Year 1991: Projected Unit Cost	Fiscal Year 1991: Staff-Years
Single Family							
Home Insurance							
Lender Processed:							
Proc thru Endorse..	Case	729,448	0.45	157.8	759,791	0.45	163.7
Val. & A&E Reviews.	Case	145,890	3.45	242.0	151,958	3.45	251.1
Mtg. Credit Review.	Case	145,890	1.80	126.3	151,958	1.80	131.0
HUD Processed:							
Conditional Commit.	Case	77,158	5.70	211.4	80,368	5.70	219.4
Firm Commitment....	Case	84,874	3.90	159.1	88,405	3.90	165.1
Endorsement........	Case	72,143	2.60	90.2	75,144	2.60	93.6
CHUMS Proc/Data Entry	Action 000s	40,080	12.00	231.2	41,747	12.00	239.9
Fees & Other Savings.				-38.7			-42.7
Dev. Trainee Program.	FTP	60	2,080.00	60.0	60	2,088.00	60.0
Subtotal, Ins Proc.				1,239.3			1,281.1
Other S.F. Process							
Sec. 234 Proj. Proc..	Project	750	22.00	7.9	750	22.00	7.9
Nehemiah Program.....				...			5.0
Subdivision Proc.....	Application	1,000	75.00	36.1	1,000	75.00	35.9
Subtotal, Other S.F				44.0			48.8
Total, All S.F...				1,283.3			1,329.9
Total, Dev. Prg				2,028.0			2,055.5
Overhead							
Regional Staff.......	FTP	94	2,080.00	94.0	94	2,088.00	94.0
General Direction....	FTP	131	2,080.00	131.0	131	2,088.00	131.0
Total, Overhead....				225.0			225.0
TOTAL DEVELOPMENT	-			2,253.0			2,280.5

DETAIL OF HOUSING FIELD STAFFING REQUIREMENTS

Resource Allocation Guideline	Indicator (Work unit)	Fiscal Year 1990			Fiscal Year 1991		
		Projected Accomplish-ment	Projected Unit Cost	Staff-Years	Projected Accomplish-ment	Projected Unit Cost	Staff-Years
MANAGEMENT							
Sec 8 Existing, Mod Rehab & Vouchers:							
Input To Develop...	ACC	3,354	20.00	32.3	4,212	20.00	40.3
Management Reviews.	PHA	1,730	120.00	99.8	1,730	120.00	99.4
Other Management...	Unit	1,244,483	0.20	119.7	1,325,938	0.20	127.0
Total, Sec. 8....				251.8			266.7
MIPS Implementation				8.0			8.0
MF & SF Loan Mgmt.							
Multifamily Loan Management							
Input to Development.	HAP & Firm	1,346	60.00	38.8	1,153	60.00	33.1
Project Servicing:							
Insured............	Project	16,000	73.00	561.5	16,355	73.00	571.8
HUD-Held...........	Project	1,610	195.00	150.9	2,159	195.00	201.6
Section 202........	Project	3,750	65.00	117.2	3,930	65.00	122.3
All Non-Ins Sec 8..	Project	5,362	20.00	51.6	5,400	20.00	51.7
Preservation.......	Project	77	575.00	21.3	150	575.00	41.3
Payment Proc System Implementation....		...	...	110.0	...	...	150.0
Occupancy Processing.	Hsg Ut 000s	1,439	400.00	276.7	1,463	400.00	280.3
Subtotal, MF LM....				1,328.0			1,452.1
Single Family Loan Management:							
Mortgagee Reviews..	Review	600	80.00	23.1	600	80.00	23.0
Assignment Request.	Request	49,000	12.00	282.7	51,000	12.00	293.1
Secy-Held Mortgages	Mortgage	56,561	12.00	326.3	64,611	12.00	371.3
Defaulted Mortages.	Mortgage	170,000	1.00	81.7	178,000	1.00	85.2
Current Ins. Mtgs..	Mtg 000's	6,775	10.00	32.6	7,039	10.00	33.7
Housing Counseling.	Agency	500	50.00	12.0	500	50.00	12.0
Subtotal, SF LM..				758.4			818.3

Salaries and Expenses, Housing and Urban Development
Budget Activity 1: Housing Programs

DETAIL OF HOUSING FIELD STAFFING REQUIREMENTS

Resource Allocation Guideline	Indicator (Work unit)	Fiscal Year 1990			Fiscal Year 1991		
		Projected Accomplishment	Projected Unit Cost	Staff-Years	Projected Accomplishment	Projected Unit Cost	Staff-Years
Title I:							
Prop. Imp. Loans...	Loan	40,700	6.50	127.2	40,000	6.50	124.5
Mobile Home Loans..	Loan	16,300	9.50	74.4	16,000	9.50	72.8
Subtotal, Title I				201.6			197.3
Subtotal, SFLM/TI				960.0			1,015.6
Total, MF/SF LM				2,288.0			2,467.7
Property Disposition							
Multifamily:							
Inventory...........	Project	115	500.00	27.6	150	500.00	35.9
Preacquisition a/..	Project	238	400.00	45.8	275	400.00	52.7
Sales..............	Project	33	400.00	6.3	40	400.00	7.7
Closings...........	Project	93	200.00	8.9	125	200.00	12.0
Subtotal, MF PD..				88.6			108.3
Single Family:							
Inventory..........	Property	54,229	11.00	286.8	55,355	11.00	291.6
Acquisition a/.....	Property	87,484	10.00	420.6	93,968	10.00	450.0
Sales..............	Property	85,640	16.00	658.8	87,830	16.00	673.0
Volume Adjustment..				-129.1			-141.2
Subtotal, SF PD..				1,237.1			1,273.4
Total, MF/SF PD				1,325.7			1,381.7
Total, Mgt Pg				3,873.5			4,124.1
Overhead							
Regional Staff.......	FTP	85	2,080.00	85.0	85	2,088.00	85.0
General Direction....	FTP	102	2,080.00	102.0	102	2,088.00	102.0
Total, Overhead....				187.0			187.0
TOTAL, MANAGEMENT				4,060.5			4,311.1
Management Adjustment..........				-749.6			-701.8
Terminal Leave.......				28.4			28.4
TOTAL, HOUSING FIELD.....				5,592.3			5,918.2

a/ Includes sales without acquisition.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Public Housing Development (units)					
Reservations	5,246 a/	...	6,293 b/	...	-6,293
Starts	3,362	5,500	5,000	5,000	...
Completions c/	3,163	7,300	4,200	6,800	+2,600
Indian Housing Development (units)					
Reservations	1,478	...	1,822	...	-1,822
Starts	2,667	2,109	2,305	1,521	-784
Completions	2,075	1,892	2,471	2,374	-97
Use of Budget Authority					
Public Housing Development/ Reconstruction	$381,145	...	$443,210	...	-$443,210
Indian Housing Development	102,699	...	136,099	...	-136,099
Contract Amendments	38,048	$39,837	179,099	$57,000	-122,099
Leased Housing Adjustments	22,420	21,100	20,521	25,100	-4,579
Modernization	1,648,720	[1,000,000] d/	1,973,335	[1,850,000] e/	NA
Resident Management Training and Technical Assistance	[2,412] f/	[2,500] f/	2,430	[5,000] f/	NA
Drug Elimination Grants	NA	[50,000] g/	48,409 h/	[150,000] i/	NA
Total	2,193,031	60,837	2,803,103	82,100	NA

a/ In addition, funds were reserved for the major reconstruction of 1,854 existing units in obsolete projects based on need and potential viability.

b/ Estimate is based on the total number of new units fundable. Actuals will vary depending on Public Housing Agency (PHA) applications for development and/or major reconstruction of obsolete projects.

c/ Includes construction completions and existing housing units made available for occupancy.

d/ Modernization (including Resident Management assistance) was proposed to be funded in a separate appropriation beginning in 1990.

e/ Modernization (including Resident Management assistance) is proposed to be funded from a separate appropriation beginning in 1991. (See Modernization Justification for program detail.)

f/ Resident Management assistance funds are included with Modernization.

g/ Proposed Budget Amendment transmitted to Congress on September 5, 1989 would have included these funds in the separate appropriation proposed for Modernization.

h/ Only represents the drug prevention/control funds provided in this account. An additional $58.2 million are available for drug prevention/control in the "Payments for Operation of Low-Income Housing Projects" (Public and Indian Operating Subsidies) account.

i/ Drug prevention/control funds totaling $150 million are being requested for 1991 in a separate appropriation for Drug Elimination Grants.

NA Not Applicable.

NOTE: This section of the Budget Justifications reflects that portion of the account "Annual Contributions for Assisted Housing" which is the responsibility of the Assistant Secretary for Public and Indian Housing. Details for the entire account are provided in the Annual Contributions section of the Housing portion of the Justifications.

Annual Contributions for Assisted Housing (Public and Indian Housing)

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget requests an appropriation of $13.3 billion for "Annual Contributions for Assisted Housing" for 1991, including $82.1 million for Public and Indian Housing contract amendments and leased housing adjustments. In addition, the 1991 Budget proposes that Public and Indian Housing Modernization and Drug Elimination Grants be funded from separate appropriations starting in 1991 as explained in those sections of the Justifications. The funds included in the "Annual Contributions" appropriation for 1991 reflect the following:

a. Public and Indian Housing Contract Amendments. The Budget includes $57 million for 1991 to amend Annual Contributions Contracts (ACCs) for Public Housing Agency (PHA) and Indian Housing Authority (IHA) units under development which require additional funds to reach construction start, to correct design and/or construction deficiencies, or provide for subsequent adjustments in funding requirements. This funding reflects a commitment to carry through to completion those Public and Indian Housing projects in the development pipelines reserved prior to 1991 that are expected to remain cost feasible and viable.

b. Leased Housing Adjustments. The Budget includes $25.1 million for 1991 to continue annual lease adjustments to contracts approved in prior years under the Section 23 Leased Housing program.

c. Recapture of Funds. The Budget reflects the fact that some units reserved in the past no longer remain feasible and will be withdrawn from the development pipelines. About 600 Public Housing units and 65 Indian Housing units are expected to be withdrawn in 1991. This is estimated to result in the recapture of $39 million for the Public Housing units and $4.9 million for the Indian Housing units. In addition, $2.5 million of Modernization funds also are expected to be recaptured in 1991 for total estimated recaptures of $46.4 million. The Budget proposes that funds actually recaptured in 1991 be rescinded.

In addition, "Annual Contributions for Assisted Housing" budget authority that no longer is required to back future debt service payments as a result of loan write-off/forgiveness is recaptured and rescinded as explained in the "Low-Rent Public Housing—Loans and Other Expenses" section of the Justifications. During the period of 1989-1991, this is estimated to total approximately $22.2 billion as follows: 1989, $2.2 billion; 1990, $10 billion; and 1991, $10 billion.

Annual Contributions for Assisted Housing (Public and Indian Housing)

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The following table compares 1989 actual data with the estimates in the 1990 Budget.

	FISCAL YEAR 1989		
	IN 1990 BUDGET	ACTUAL	DIFFERENCE
	(Dollars in Thousands)		
Public Housing Development (units)			
Reservations	5,551	5,246 a/	-305
Starts	5,000	3,362	-1,638
Completions b/	5,600	3,163	[illegible],437
Indian Housing Development (units)			
Reservations	1,396	1,478	+82
Starts	2,688	2,667	-21
Completions	1,096	2,075	+979
Use of Budget Authority			
Public Housing Development/Reconstruction	$381,202	$381,145 c/	-$57
Indian Housing Development	100,299	102,699	+2,400
Contract Amendments	38,302	38,048	-254
Leased Housing Adjustments	22,529	22,420	-109
Modernization	1,648,930	1,648,720	-210
Total	2,191,261	2,193,031	+1,770

a/ In addition, funds were reserved for the major reconstruction of 1,854 existing units in obsolete projects based on need and potential viability.

b/ Includes construction completions and existing housing units made available for occupancy.

c/ Includes $48,556 thousand for the major reconstruction of obsolete projects.

The number of units reserved in 1989 was 6,724, or 223 units less than the estimate in the 1990 Budget. The difference represents the net of 305 fewer Public Housing units and 82 additional Indian Housing units. As noted in the 1990 Budget, there was no way of estimating how much of the available Public Housing funds would be used for new development and how much would be used for major reconstruction of obsolete projects until the applications actually were received from PHAs.

For purposes of developing an estimate of unit reservations, the 1989 estimate was based on the assumption that all $381.2 million of the Public Housing funds would be used for new development in support of 5,551 unit reservations. In reality, only $332.6 million were used for new development (5,246 units) and the balance was utilized for major reconstruction purposes (1,854 units).

The additional 82 Indian Housing units resulted from lower per unit costs and increased funds. The cost of Indian Housing units was estimated at $71,851 per unit. However, actual per unit costs averaged only $69,485. In addition, the 1989 estimate assumed use of $100.3 million of which $4.3 million were to be recaptures. Actual recaptures totaled $12.7 million which far exceeded the estimate. This increased the amount available for 1989 to $108.7 million. A total of $102.7 million actually was reserved during the year, or $2.4 million more than the estimate. The lower cost and increased funds resulted in reservations for 1,478 units instead of the 1,396 units that had been estimated.

Public Housing projects did not proceed through the development pipeline as rapidly as anticipated. As a result, both actual starts and actual completions were below the estimates. Indian Housing starts were just 21 units below the estimate whereas actual completions were 979 units above the estimate.

Annual Contributions for Assisted Housing (Public and Indian Housing)

3. CHANGES FROM 1990 BUDGET ESTIMATES

The following table presents the composition of the 1990 estimates as included in the 1990 Budget, the 1990 Appropriations Act (as adjusted), and the current estimate for 1990, including carryover from 1989.

	FISCAL YEAR 1990			
		CURRENT ESTIMATE		
	1990 BUDGET ESTIMATE	1990 APPROPRIATION a/	CARRYOVER FROM 1989	TOTAL
	(Dollars in Thousands)			
Public Housing Development (units)				
Reservations	...	6,293	...	6,293 b/
Starts	5,500	NA	NA	5,000
Completions c/	7,300	NA	NA	4,200
Indian Housing Development (units)				
Reservations	...	1,742	80	1,822
Starts	2,109	NA	NA	2,305
Completions	1,892	NA	NA	2,471
Use of Budget Authority				
Public Housing Development/Reconstruction	...	$443,153	$57	$443,210
Indian Housing Development	...	130,098	6,001	136,099
Contract Amendments	$39,837	178,845	254	179,099
Leased Housing Adjustments	21,000	20,412	109	20,521
Modernization	[1,000,000] d/	1,973,125	210	1,973,335
Resident Management Training and Technical Assistance	[2,500] e/	2,430	NA	2,430
Drug Elimination Grants	[50,000] f/	48,409 g/	NA	48,409 g/
Total	60,837	2,796,472	6,631	2,803,103

a/ As adjusted for Section 517 reduction and sequestration.

b/ Estimate is based on the total number of new units fundable. Actuals will vary depending on PHA applications for development and/or major reconstruction of obsolete projects.

c/ Includes construction completions and existing housing units made available for occupancy.

d/ Modernization (including Resident Management assistance) was proposed to be funded from a separate appropriation beginning in 1990.

e/ Resident Management assistance funds are included with Modernization.

f/ Proposed Budget Amendment transmitted to Congress on September 5, 1989 would have included these funds in the separate appropriation proposed for Modernization.

g/ Only represents the drug prevention/control funds provided in this account. An additional $58.2 million are available for drug prevention/control in the "Payments for Operation of Low-Income Housing Projects" (Public and Indian Operating Subsidies) account.

NA Not Applicable.

The 1990 Budget did not request any funds for Public Housing or Indian Housing development. It also proposed that Modernization be funded from a separate appropriation. Funds were requested only for contract amendments and leased housing adjustments.

The 1990 Appropriations Act, on the other hand, provides funds for Public Housing development and/or major reconstruction, Indian Housing development, modernization, contract amendments, leased housing adjustments, resident management training and technical assistance, and drug elimination grants under this appropriation. The revised estimates for 1990 shown above reflect 1990 appropriation action, as adjusted for various reductions and sequestration. It also includes the carryover of unreserved funds from 1989. Changes proposed in the 1990 Operating Plan did not impact on the Public and Indian Housing programs.

Annual Contributions for Assisted Housing (Public and Indian Housing)

EXPLANATION OF INCREASES AND DECREASES

The 1991 Budget proposes the appropriation of $82,100 thousand for contract amendments and lease adjustments. A comparison of the 1990 current estimates and the 1991 estimates follow:

1. Reservations. The Budget does not propose any new Public Housing or Indian Housing development reservations for 1991.

2. Starts. Public Housing construction starts are estimated to remain at 5,000 units and Indian Housing construction starts are estimated to decrease to 1,521 units in 1991 based on a reappraisal of expected activity in the preconstruction pipelines.

3. Completions. Based on a reassessment of the development pipelines, construction completions (including existing housing units made available for occupancy) are expected to show a net increase of 2,503 units from 6,671 units in 1990 to 9,174 units in 1991. These totals are comprised of 6,800 Public Housing units and 2,374 Indian Housing units.

4. Budget Authority. As explained previously, no funds are being requested for either Public Housing new development/major reconstruction or Indian Housing new development, but $57 million are requested for Public and Indian Housing contract amendments and $25.1 million for annual adjustments to contracts approved under the Section 23 Leased Housing program. The Budget also proposes that funds be recaptured and rescinded in 1991 where units are not feasible or where development processing milestones are not met. Also, modernization (including Resident Management assistance) and drug prevention/control activities are proposed to be funded from separate appropriations starting in 1991.

PROGRAM DESCRIPTION

The U.S. Housing Act of 1937, as amended, provides for the development and operation of low-income Public and Indian Housing programs by PHAs and IHAs. PHAs/IHAs can be any State, county, municipality, Indian Tribe, or other public body that HUD has determined eligible to engage in or assist in the development, ownership and operation of Public or Indian Housing projects, as applicable. Annual Contributions Contracts (ACCs) between HUD and the PHAs/IHAs assure the low-income character of the projects. HUD provides the PHAs/IHAs with technical and professional assistance in planning, developing and managing the Public and Indian Housing projects. The "Annual Contributions for Assisted Housing" appropriation currently provides funding for Public and Indian Housing development activities, Section 23 Leased housing contract adjustments, modernization, resident management assistance activities, and drug elimination grants. The Budget proposes that modernization (including resident management assistance) and drug elimination grants be funded from separate appropriations beginning in 1991 as explained in those sections of the Justifications.

Since the start of 1987, new reservations for development (including contract amendments), major reconstruction, and modernization have been funded on a capital cost basis directly from this account. For reservations recorded prior to 1987, development and modernization capital costs were financed with 20- to 40-year Federal commitments from this account to provide annual debt service payments to amortize: (1) direct Federal loans made with Treasury borrowings, (2) bonds and notes sold in the tax-exempt private market, and (3) obligations sold to the Federal Financing Bank (FFB). Necessary debt service payments continue to be made for those reservations that have permanent financing from tax-exempt bonds or FFB instruments issued for PHA/IHA-owned housing until the bonds and the FFB obligations reach maturity consistent with the Annual Contributions Contracts (ACCs) that the Department entered into with the respectives PHAs/IHAs. A detailed explanation is included in the "Housing Payments" section of the Justifications.

For development and modernization projects funded through 1986, direct Federal loans are made available to PHA/IHAs for the planning and development/modernization of dwelling units as explained in the "Low-Rent Public Housing--Loans and Other Expenses" section of these Justifications. These loans are written-off each year and subsequently forgiven upon the completion of development and modernization in accordance with the provisions of the "Consolidated Omnibus Budget Reconciliation Act" (P.L. 99-272). As a result, debt service annual contributions approved for payment by HUD on behalf of PHAs/IHAs for direct Federal loans no longer are required. This permits the related "Annual Contributions" budget authority to be recaptured and rescinded annually as explained on page O-2.

Annual Contributions for Assisted Housing (Public and Indian Housing)

In addition, the Department provides operating subsidies to PHAs/IHAs to achieve and maintain adequate operating and maintenance services and reserve funds for the PHA/IHA-owned projects. These funds are provided in a separate appropriation which is explained in the "Payments for Operation of Low-Income Housing Projects" section of the Justifications.

A description follows of each program currently funded from the "Annual Contributions" appropriation.

1. PUBLIC HOUSING DEVELOPMENT

To develop Public Housing units, a PHA must acquire existing housing (which may or may not require rehabilitation) unless new construction is determined to be less costly or a certification is submitted by the PHA indicating that there is insufficient existing housing that may be acquired in the neighborhood. Also, new projects must be for housing consisting of three or more bedrooms per unit unless it is determined that there is little or no need for such housing. In addition, Section 113 of the 1987 Housing and Community Development Act (1987 HCD Act) requires that a PHA: (a) certify that 85 percent of existing units meet/will meet Section 8 Housing quality standards; or (b) replace units disposed or demolished; or (c) provide units required by a court order; or (d) certify that demand for family housing is not being met with Section 8 Housing Assistance. A summary of the Public Housing development methods follows.

a. Conventional. Under the conventional (bid) method, a PHA engages an architect, selects a site, and prepares its Development Program/Proposal. After HUD approves a PHA's Development Program/Proposal, the PHA acquires the site/property and authorizes its architect to prepare the detailed project working drawings and specifications in conformity with HUD requirements and local codes and ordinances. The PHA (with HUD approval) then advertises for private contractors to submit competitive bids and awards a construction/rehabilitation contract to the lowest responsible bidder.

b. Turnkey. The turnkey method of development is designed to stimulate the participation of residential builders and developers in the Public Housing program. Under the turnkey procedure, a PHA invites builders, contractors or realtors to submit proposals for a Public Housing project of a stated number and type of units to be sold to the PHA upon completion of the new construction or rehabilitation.

c. Acquisition. Under the acquisition method, a PHA identifies available and acceptable units and prepares a Development Program/Proposal and budget. If acceptable to HUD, the PHA acquires the existing structure(s). Any required repair work is accomplished by using private contractors or by using PHA staff.

d. Major Reconstruction. The 1989 and 1990 HUD-Independent Agencies Appropriations Acts provided that any new budget authority available for Public Housing development could be used for the major reconstruction of obsolete Public Housing projects based on applications to be submitted by PHAs.

2. INDIAN HOUSING DEVELOPMENT

The Indian Housing development program is similar to the Public Housing development program. However, the Indian Housing program is administered separately due to different conditions and problems in Indian/Alaska Native areas as reflected by the Indian Housing Act of 1988 (P.L. 100-358) which provides separate authorizing legislation for the program. IHAs can be formed by any self-governing Indian Tribe or they may be formed pursuant to State laws providing for such housing authorities. IHAs may build either rental or homeownership units. Generally, an IHA hires a contractor to proceed with a construction program approved by HUD (conventional bid method), or a private builder constructs dwelling units on agreed terms and then sells the project to the IHA (turnkey method).

About 35 percent of the Indian Housing projects are rental and about 65 percent involve homeownership. Under the Mutual-Help Homeownership program, the families provide some form of contribution (e.g., land, labor or materials) toward the development of the housing units. They also pay for utilities and perform their own maintenance and ultimately assume full ownership of the units. In addition, the 1988 Act provides for a Self-Help cooperative program to augment the Mutual-Help program and permit homebuyers to provide a more extensive labor (self-help) contribution.

3. SECTION 23 LEASED HOUSING ADJUSTMENTS

Annual adjustments to contracts approved under the old Section 23 Leased Housing program generally represent additional subsidies to offset increases in the cost of project operations. The funds also are used to provide interim transition assistance for projects that are being converted to the Section 8 Housing Assistance Payments program. Because of lease terms and contract provisions, conversions frequently do not involve all of the units in a project simultaneously and the funds are used to subsidize the units that remain under Section 23 contracts during the "phase-out" period.

4. PUBLIC AND INDIAN HOUSING MODERNIZATION

The Budget proposes that Modernization be funded from a separate appropriation beginning in 1991 as explained in the Public and Indian Housing Modernization section of the Justifications.

5. RESIDENT MANAGEMENT ASSISTANCE

The Budget proposes that Resident Management training and technical assistance be funded from the proposed separate appropriation for Modernization beginning in 1991 as explained in the Public and Indian Housing Modernization section of the Justifications.

6. DRUG ELIMINATION GRANTS

The Budget proposes that drug prevention and control activities be funded from a separate appropriation beginning in 1991 as explained in the Drug Elimination Grants section of the Justifications.

PROGRAM ACTIVITY

1. Reservations. Gross unit reservations by fiscal year for the period 1989-1991 follow:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(In Units)	
Public Housing			
New construction/Substantial rehabilitation	4,113	4,971 a/	...
Existing housing	1,133	1,322 a/	...
Subtotal	5,246	6,293 a/	...
Indian Housing	1,478	1,822	...
Total Reservations, Public and Indian Housing	6,724	8,115	...

a/ Estimate is based on the total number of new units fundable. Actuals will vary depending on PHA applications for development and/or major reconstruction of obsolete projects.

Annual Contributions for Assisted Housing (Public and Indian Housing)

2. Units Not Under Construction. The status of outstanding reservations in terms of units reserved but not yet under construction at the beginning of the fiscal year, units added during the fiscal year, construction starts during the fiscal year, and outstanding reservations not under construction at the end of the fiscal year follows:

	ACTUAL 1989	ESTIMATE 1990 (In Units)	ESTIMATE 1991
Public Housing			
Outstanding reservations not under construction, start of year	18,968	19,031	18,924
Reservations added in year	+5,246	+6,293 a/	...
Recaptures in year	-837	-600	-600
Construction starts in year	-3,362	-5,000	-5,000
Existing unit completions in year	-984	-800	-800
Outstanding reservations not under construction, end of year	19,031	18,924	12,524
Indian Housing			
Outstanding reservations not under construction, start of year	8,571	7,356	6,710
Reservations added in year	+1,478	+1,822	...
Recaptures in year	-26	-163	-65
Construction starts in year	-2,667	-2,305	-1,521
Outstanding reservations not under construction, end of year	7,356	6,710	5,124

a/ Estimate is based on the total number of new units fundable. Actuals will vary depending on PHA applications for development and/or major reconstruction of obsolete projects.

3. Construction Starts. Construction starts by program for each fiscal year follow:

	ACTUAL 1989	ESTIMATE 1990 (In Units)	ESTIMATE 1991
Public Housing			
New construction	2,267	4,325	3,400
Substantial rehabilitation	1,095	675	1,600
Subtotal	3,362	5,000	5,000
Indian Housing	2,667	2,305	1,521
Total Starts, Public and Indian Housing	6,029	7,305	6,521

4. Under Construction. The status of units under construction during each fiscal year follows:

	ACTUAL 1989	ESTIMATE 1990 (In Units)	ESTIMATE 1991
Public Housing			
Under construction, start of year	7,142	8,325	9,925
Construction starts in year	+3,362	+5,000	+5,000
Construction completions in year a/	-2,179	-3,400	-6,000
Under construction, end of year	8,325	9,925	8,925
Indian Housing			
Under construction, start of year	1,357	1,949	1,783
Construction starts in year	+2,667	+2,305	+1,521
Construction completions in year	-2,075	-2,471	-2,374
Under construction, end of year	1,949	1,783	930

a/ Excludes existing units made available for occupancy as follows: 1989, 984; 1990, 800; and 1991, 800.

Annual Contributions for Assisted Housing (Public and Indian Housing)

5. Development Pipelines. A summary of the preconstruction and construction pipelines for each fiscal year as shown above follows:

	ACTUAL 1989	ESTIMATE 1990 (In Units)	ESTIMATE 1991
Public Housing			
Preconstruction, end of year	19,031	18,924	12,524
Under construction, end of year	8,325	9,925	8,925
Subtotal	27,356	28,849	21,449
Indian Housing			
Preconstruction, end of year	7,356	6,710	5,124
Under construction, end of year	1,949	1,783	930
Subtotal	9,305	8,493	6,054
Public and Indian Housing			
Preconstruction, end of year	26,387	25,634	17,648
Under construction, end of year	10,274	11,708	9,855
Total	36,661	37,342	27,503

6. 1989-1991 Program Reservations. The following table provides a summary of annual gross reservation activity for fiscal years 1989 through 1991.

		BUDGET AUTHORITY	
	UNITS	PER UNIT	TOTAL
FISCAL YEAR 1989			
Public Housing Development	5,246	$63,399	$332,589,688
Public Housing Reconstruction	(1,854)	26,190	48,555,506
Indian Housing Development	1,478	69,485	102,698,966
Contract Amendments	NA	NA	38,047,523
Leased Housing Adjustments	NA	NA	22,419,657
Modernization	NA	NA	1,648,719,953
Total, Public and Indian Housing	6,724	NA	2,193,031,293
FISCAL YEAR 1990			
Public Housing Development/Reconstruction	6,293 a/	70,418	443,209,653
Indian Housing Development	1,822	74,652	136,099,095
Contract Amendments	NA	NA	179,098,993
Leased Housing Adjustments	NA	NA	20,520,794
Modernization	NA	NA	1,973,335,307
Resident Management Training and Technical Assistance	NA	NA	2,429,957
Drug Elimination Grants	NA	NA	48,409,076
Total, Public and Indian Housing	8,115	NA	2,803,102,875
FISCAL YEAR 1991			
Public Housing Development	...	...	...
Indian Housing Development	...	...	...
Contract Amendments	NA	NA	57,000,000
Leased Housing Adjustments	NA	NA	25,100,000
Total, Public and Indian Housing	...	NA	82,100,000

a/ Estimate is based on the total number of new units fundable. Actuals will vary depending on PHA applications for development and/or major reconstruction of obsolete projects.

NA Not Applicable.

Annual Contributions for Assisted Housing (Public and Indian Housing)

PAYMENT REQUIREMENTS

The consolidated explanation of "Housing Payments" is set forth in the Housing section of these Justifications. For the Public and Indian Housing program, it includes the annual contributions payments required to liquidate Public Housing and Indian Housing contract authority for PHA/IHA-owned units that have permanent financing from tax-exempt bonds or FFB instruments. Payments for basic annual contributions for PHA/IHA-leased housing under the Section 23 Leased Housing program also are included. In addition, Housing Payments reflect the funding of Public and Indian Housing development and modernization on a capital fund basis starting in 1987. However, these estimates include outlays resulting from Modernization and Drug Elimination funds reserved through 1990 only because the 1991 Budget proposes that modernization and drug prevention/control activities be funded from separate appropriations starting in 1991.

The table below presents the estimated PHA/IHA-owned and PHA/IHA-leased units for 1989 through 1991 that are under management at the beginning of the year, the estimated net change in units under management during the year, and the total estimated units under management at the end of the year. The estimate assumes that PHAs will withdraw approximately 6,200 PHA-owned units from the inventory in 1991. This includes 3,200 units where the units are determined to be obsolete due to their physical condition, location or other factors, or because their retention is not in the best interests of the residents or the PHAs and 3,000 rental units anticipated to be converted to homeownership. Tenants in housing units withdrawn from the inventory in 1991 will receive Section 8 Certificates or Vouchers for relocation. In addition, under existing legislation, 15-year project-based Section 8 certificates and other project-based programs may be used as replacement housing. Legislation will be proposed to allow the use of tenant-based assistance to satisfy the requirement for one-for-one replacement of units withdrawn from the rental inventory. In addition, comparable State and local programs are eligible resources as replacement housing. An explanation of replacement/relocation housing is included in the Housing section of the Justifications.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(In Units)	
Units under management, start of year	1,402,093	1,403,816	1,403,292
Net change in units under management	+1,723	-524	+576
Units under management, end of year	1,403,816	1,403,292	1,403,868

The Public and Indian Housing units under management and related outlays for development and leased housing as well as modernization, resident management assistance, and drug elimination grants (as applicable) for 1989-1991 follow:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Units under management, end of year:			
PHA/IHA-owned dwellings	1,378,124	1,379,095	1,382,069
PHA/IHA-leased dwellings	25,692	24,197	21,799
Total units	1,403,816	1,403,292	1,403,868
Outlays for PHA/IHA-owned dwelling units:			
Debt service annual contributions outlays, net	$665,431	$645,664	$624,740
Capital fund outlays	777,923	1,515,913	2,077,904
Subtotal, outlays for PHA/IHA-owned units	1,443,354	2,161,577	2,702,644
Outlays for basic annual contributions for PHA/IHA-leased dwelling units:			
Contract outlays	53,063	49,917	44,870
Annual adjustment outlays	27,581	22,592	22,810
Subtotal, outlays for basic annual contributions for PHA/IHA-leased housing	80,645	72,509	67,680
Total outlays	1,523,998	2,234,086	2,770,324

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

PUBLIC AND INDIAN HOUSING MODERNIZATION

PROGRAM HIGHLIGHTS

	ACTUAL 1989 a/	BUDGET ESTIMATE 1990 a/	CURRENT ESTIMATE 1990 a/	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Reservations					
Modernization..................	[$1,646,308]	[$997,500]	[$1,973,335]	$1,842,492	-$130,843
Resident Management Assistance	[2,412]	[2,500]	[2,430]	5,000	+2,570
Total........................	[1,648,720]	[1,000,000]	[1,975,765]	1,847,492	-128,273
Budget Authority (Appropriation)					
Enacted or Proposed...........	[1,646,948]	[1,000,000]	[2,032,500] b/	1,850,000	-182,500
Carryover......................	[1,782]	[...]	[210]	...	-210
Recaptures.....................	[200]	[...]	[...]	...	...
Appropriation Act Reduction (Section 517)................	[...]	[...]	[-31,504]	...	+31,504
Sequestration..................	[...]	[...]	[-25,441]	...	+25,441
Proposed Transfer to Research and Technology................	[...]	[...]	[...]	-2,508	-2,508
Total........................	[1,648,930]	[1,000,000]	[1,975,765]	1,847,492	-128,273
Budget Outlays..................	NA	NA	NA	...	...

a/ Funds were provided for Modernization and Resident Management Assistance under the "Annual Contributions" appropriation in 1989 and 1990. A separate appropriation is proposed for 1991; 1989-90 data are shown here for purposes of comparison.

b/ The 1990 Annual Contributions appropriation includes $2.5 million for Resident Management training and technical assistance as a separate budget activity.

NA Not Applicable.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

A separate appropriation of $1,850 million is requested for 1991 to provide funds to Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) for the modernization of existing Public and Indian Housing projects and to improve their management as well as for Resident Management assistance. Of this total, $2.5 million would be transferred to the Research and Technology account to help fund the evaluation and monitoring of HUD programs.

Of the remaining $1,847,492 thousand, the Budget request includes $5 million to provide training and technical assistance to Resident Management Corporations and resident councils to develop resident management capability as authorized in Section 20(f) of the U.S. Housing Act of 1937, as amended. This request is subject to the enactment of proposed legislation that would extend the existing authorization.

The net amount available for modernization reservations, therefore, is $1,842,492 thousand of which $150 million would be provided to PHAs selected by States that are willing to provide matching funds based on legislation being proposed.

Through 1990, funding of modernization has been included in the "Annual Contributions for Assisted Housing" appropriation and also is included in that section of these Justifications.

2. CHANGES FROM 1989 ESTIMATES IN 1990 BUDGET

The 1990 Budget included a $1,649 million Modernization program level for 1989 reflecting $1,647 million provided in the 1989 Appropriations Act, $1,782 thousand of carryover funds from 1988 and $200 thousand of estimated recaptures. Virtually all of the available funds were reserved during the year. Only a small unreserved balance of $210 thousand was carried over into 1990. The amount reserved in 1989 included $2.4 million for Resident Management training and technical assistance.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget proposed a separate appropriation of $1 billion for modernizing existing Public and Indian Housing projects. The proposal included a $250 million funds-matching component. However, the $1,973.1 million (net) made available in the 1990 Appropriations Act and $210 thousand of carryover out of 1989 supports a $1,973.3 million program. In addition, $2,430 thousand (net) was appropriated separately for resident management training and technical assistance activities.

EXPLANATION OF INCREASES AND DECREASES

The table below compares reservations and outlays for the period 1989-1991. The reservations shown for 1989 and 1990 are funded under the Annual Contributions account. The 1991 activity represents the separate appropriation being requested.

The outlays shown reflect only disbursements against capital cost funding appropriated after 1986. This is because expenditures against appropriations for debt service enacted in 1986 and prior years were recorded "in total." Modernization payments were not distinguished from disbursements for Public and Indian Housing development.

Because of the lag time between reservation and actual disbursement, no outlays are expected to occur in 1991 from the separate appropriation being requested for 1991.

	ACTUAL 1989	CURRENT ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Reservations:			
Modernization	$1,646,308	$1,973,335	$1,842,492
Resident Management Assistance	2,412	2,430	5,000
Total	1,648,720	1,975,765	1,847,492
Budget Outlays	612,371	974,278	1,287,441

The $1.85 billion for 1991 is being requested as a separate appropriation because the Modernization program goals of maintaining and improving the condition of the Public and Indian Housing stock and its management are very distinct from the other rental assistance programs funded from the Annual Contributions appropriation. Funds will be allocated in 1991 under both the new Comprehensive Grant Program (CGP) for all medium and large PHAs and IHAs and under a revised Comprehensive Improvement Assistance program (CIAP) for small PHAs and IHAs based on program revisions included in the Housing and Community Development (HCD) Act of 1987.

The HCD Act of 1987 authorized a Comprehensive Grant Program and called for alternative allocation methods. The Department has developed recommendations for the new grant formula and a report on allocation systems for funding both backlog and accrual modernization needs will be submitted to the Congress. Meanwhile, the current competitive application method of distributing modernization funds under CIAP will continue to be used pending enactment by Congress of a proposed new formula for distributing CGP funds.

Also, legislation is being proposed for 1991 that would provide for cost sharing. A total of $150 million of the $1,842,492 thousand available for modernization is proposed to be allocated on the basis of a limited "fund matching" program. The new Comprehensive Grant Program and fund matching proposals are explained in greater detail in the Program Description section of this Justification.

The 1991 Budget request also includes $5 million to provide Resident Management training and assistance. The increase proposed for 1991 is based on the number of unfunded applications received in 1990.

PROGRAM DESCRIPTION

Public and Indian Housing modernization currently is performed pursuant to Section 14 of the United States Housing Act of 1937, as amended. Modernization funds enable PHAs and IHAs to correct the physical condition and upgrade the management and operation of existing Public and Indian Housing projects and to achieve operating efficiency and economy to assure that such projects continue to be available to serve lower income families. This may involve alterations, additions, demolition or rehabilitation of existing structures, replacement of nonexpendable equipment and improving the management and operation of such projects. In addition, Modernization funds (except in 1990 when the funds are provided as a separate budget activity under the "Annual Contributions" appropriation) are used to provide technical assistance to Resident Management Corporations (RMCs) and to resident councils as authorized by Section 20(f) of the U.S. Housing Act of 1937, as amended.

Starting in 1991, the Department is proposing a limited "fund matching" program component which would provide modernization funds to PHAs selected by States and local governments that are willing to provide matching funds on an equal basis. States and local governments would be expected to award grants on the basis of PHA applications that are prepared in accordance with current HUD processing and eligibility procedures. This proposal is subject to the enactment of authorizing legislation.

Also starting in 1991, modernization is planned to be funded and managed under the Comprehensive Grant Program (CGP) for all medium and large PHAs/IHAs using a non-competitive formula. Smaller PHAs/IHAs will continue to receive Comprehensive Improvement Assistance Program (CIAP) funds on an annual competitive application basis. The pending program revisions are based on changes included in the Housing and Community Development Act of 1987.

Implementation of the new program is subject to Congress enacting legislation authorizing the new formula. Also, the smaller PHAs/IHAs currently are described in the statute as those with less than 500 Public/Indian Housing units. Legislation will be proposed to revise the definition of smaller PHAs/IHAs to those with less than 250 Public/Indian Housing units.

A description of each program to be funded from the Modernization appropriation follows.

1. Comprehensive Grant Program. The CGP funds will be available through a non-competitive formula distribution to medium and large PHAs/IHAs and will be subject to HUD approval of the Modernization Comprehensive Plan for each PHA/IHA. The CGP will provide modernization assistance on a more predictable basis than under the current method. This new method will permit medium and large PHAs/IHAs to have considerable discretion and control in planning and expending the funds made available. This will promote increased opportunities and incentives for more efficient management. The change also will simplify significantly the provision of Federal assistance.

Before awarding a grant, the Department will approve the Modernization Comprehensive Plan for each PHA/IHA unless: (a) the identification of modernization needs is plainly inconsistent with available facts and data, (b) the action plan is plainly inappropriate to meet the needs identified in the comprehensive plan, (c) the PHA/IHA has failed to demonstrate that the improvements and replacements reasonably will ensure long-term project viability at a reasonable cost, or (d) HUD has evidence which challenges in a substantial manner the local certifications or resolutions contained in the comprehensive plan. The plan must contain assessments of the physical condition of the projects, the improvements needed, and the PHA/IHA management capability. The plan must include an analysis demonstrating that the improvement(s) and replacements will ensure long-term viability at a reasonable cost. The projects are to be rehabilitated to the modernization standards set forth in the HUD Modernization Standards Handbook in effect as of February 5, 1988. Eligible costs will include funding of physical and management improvements as permitted under CIAP. The method of allocating funds to PHAs/IHAs is subject to Congressional approval.

Public and Indian Housing Modernization

The comprehensive plan also will include a 5-year action plan containing priorities for improvements, preliminary cost estimates, and local government certification. In addition, PHAs/IHAs will be required to submit an annual description of activities and expenditures planned for the year. The Department is required to approve the annual statement unless: (a) it plainly is inconsistent with the activities specified in the comprehensive plan, (b) there is evidence that challenges in a substantial manner the local certifications regarding consistency with the comprehensive plan and the opportunity for tenants to comment on the annual statement, or (c) HUD determines that proposed amendments (where applicable) to the comprehensive plan are not compatible with the review standards (e.g., the proposed improvements are not related to the identified needs).

In addition, each PHA and IHA will be required to provide a performance report to HUD at the end of each year describing how it used the funds during the year. The Department will make an annual review to determine whether PHAs/IHAs: (a) have carried out their activities in a timely manner and in accordance with their comprehensive plan, (b) have a continuing capacity to accomplish the modernization work, and (c) have satisfied or made reasonable progress toward satisfying any performance standards that may be prescribed by the Department.

2. Comprehensive Improvement Assistance Program. CIAP funds will continue to be provided on an annual competitive application basis to smaller PHAs/IHAs. Eligible costs include funding of physical improvements such as alterations, betterments, additions, replacements, non-routine maintenance and demolition as well as management improvements. Eligible management improvements include program management, finance and accounting systems, management information systems, staffing, tenant programs and services, tenant and project security, tenant selection and eviction, occupancy, rent collection, energy conservation and maintenance. HUD will award funds on the basis of local need, local capacity and various other factors.

The CIAP requires that each PHA/IHA applying for modernization funding prepare and submit a comprehensive assessment of the physical and management improvements required, identify normal replacement of equipment and structural elements, and submit a plan and schedule for making the improvements and replacements. The plan includes estimates of the total cost, the cost of each annual increment, and the estimated available resources to accomplish the comprehensive objectives. PHA and IHA projects also are required to undergo a viability review before being approved for any modernization, except to meet emergency needs. In addition, PHAs/IHAs are required to submit a statement from their localities/tribes that reaffirm the commitment under the local Cooperation Agreement to furnish the PHAs/IHAs and their residents with the same type and level of public services and facilities as provided to the community-at-large. Emphasis is placed on management improvements as well as the physical condition of Public and Indian Housing projects. PHAs/IHAs also are required to submit schedules for the obligation and expenditure of funds and the completion of work, provide for supervision and inspection to ensure both work quality and reasonable progress, and provide quarterly reports to the HUD Field offices comparing actual performance with planned performance.

3. Resident Management Assistance. Public and Indian Housing Modernization funds also are used (except in 1990 when the funds are provided as a separate budget activity under the "Annual Contributions" appropriation) to provide Resident Management technical assistance and training to Resident Management Corporations and/or resident councils in order to develop resident management capability and to assist in the revitalization of inner cities. This funding is authorized by Section 20(f) of the U.S. Housing Act of 1937, as amended. Activities include organizational formation, the development of management capability at newly formed or existing organizations, the identification of the social support needs of the residents and securing such support, and the development of business enterprises.

Public and Indian Housing Modernization

PROGRAM ACTIVITY

1. Modernization Fund Approvals. From the start of modernization in 1968 through September 30, 1991, it is estimated that $17.5 billion of capital funds will have been reserved/approved for modernization. (Funds reserved for Resident Management assistance starting in 1988 are not included in the following table.) Modernization funds approved by fiscal year follow:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Capital Funds for Modernization Approved by HUD:			
Annual	$1,646,308	$1,973,335	$1,842,492
Cumulative	13,710,506	15,683,841	17,526,333

As noted above, $1.65 billion were reserved in September 1989 and over $1.97 billion are available for reservation in 1990. As of June 30, 1989, $12.1 billion of capital funds had been approved by HUD for modernization and $2.5 billion remained unobligated by the PHAs and IHAs.

2. Use of Modernization Funds. The following table shows the 1988 estimated distribution of modernization funds by type of activity. The data are derived from an analysis based on 1988 program data. An examination of 1989 data has not been completed.

PURPOSE	PERCENT OF TOTAL
Physical Improvements:	
Improvements to meet Modernization standards	35.5
Improvements for long-term viability	23.8
Improvements for health and safety	14.9
Energy conservation	8.3
Removal of lead-based paint	2.7
Physical accessibility	0.2
Subtotal	85.4
Management Improvements	4.2
Administrative Costs	10.4
Total	100.0

3. Resident Management Assistance. The number of Resident Management training and technical assistance grants and the amount of funds by fiscal year follow:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Grants:			
In year	35	35	70
Cumulative	62	97	167
Amount:			
In year	$2,412	$2,430	$5,000
Cumulative	4,912	7,342	12,342

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS
(Public and Indian Housing Operating Subsidies)

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Program Level					
PHA/IHA-owned units under management, end of year...........	1,378,124	1,381,388	1,379,095	1,382,069	+2,974
Budget Authority (Appropriation)					
Enacted or Proposed................	$1,617,508	$1,694,200	$1,845,600 a/	$1,825,731	-$19,869
Unobligated balance from prior year	NA	NA	22,207 b/	NA	-22,207
Transfer from other accounts.......	88,000 b/	...	...	...	...
Appropriation Act Reduction (Section 517)......................	NA	NA	-27,831	NA	+27,831
Sequestration......................	NA	NA	-24,737	NA	+24,737
Total Available..................	1,705,508	1,694,200	1,815,239	1,825,731	+10,492
Obligations..........................	1,682,932	1,694,200	1,815,239	1,825,731	+10,492
Budget Outlays.......................	1,519,221	1,651,760	1,787,840	1,818,824	+30,984

a/ Includes $50.0 million for drug prevention/control.
b/ Includes $8.2 million for drug prevention/control.
NA Not Applicable.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

An appropriation of $1,825,731 thousand is requested for 1991 to provide operating subsidies to Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) for the operation of PHA/IHA-owned dwellings. The requirements are based primarily on the Performance Funding System (PFS) formula.

In addition, the Budget proposes that drug prevention/control activities be funded from a separate appropriation in 1991 instead of from this appropriation or the "Annual Contributions for Assisted Housing" appropriation as in 1990. Details of that request are included in the "Drug Elimination Grants" section of the Justifications.

Payments for Operation of Low-Income Housing Projects

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

A comparison of 1989 actual data with estimates included in the 1990 Budget follows:

	FISCAL YEAR 1989		
	IN 1990 BUDGET	ACTUAL	DIFFERENCE
	(Dollars in Thousands)		
Program Level			
PHA/IHA-owned units under management, end of year.....	1,375,396	1,378,124	+2,728
Budget Authority (Appropriation)			
Proposed or Enacted..................................	$1,617,508	$1,705,508	+$88,000
Obligations..	1,617,508	1,682,932	+65,424
Budget Outlays......................................	1,547,357	1,519,221	-28,136

There were 1,378,124 units under the management of PHAs and IHAs at the end of 1989. This was 2,728 units (less than 0.2 percent) more than had been projected for 1989 in the 1990 Budget. The actual units under management reflect corrections to the data base, unit completions, and units withdrawn from the management inventory.

The budget authority increased by $88 million from $1,617.5 million to $1,705.8 million reflecting the increased funding in the form of a transfer of funds from the Annual Contributions account pursuant to the 1989 Dire Emergency Supplemental Appropriations Act (P.L. 101-45). A total of $1,682.9 million of the available funds was obligated leaving a balance of $22.2 million availabl for obligation in 1990, including $8.2 million for drug prevention and control activities. Actual outlays were $1,519.2 million reflecting a lower than anticipated expenditure rate.

3. CHANGES FROM 1990 BUDGET ESTIMATES

A comparison of 1990 current estimates with projections included in the 1990 Budget follows:

	FISCAL YEAR 1990		
	IN 1990 BUDGET	CURRENT ESTIMATE	DIFFERENCE
	(Dollars in Thousands)		
Program Level			
PHA/IHA-owned units under management, end of year....................................	1,381,388	1,379,095	-2,293
Budget Authority (Appropriation)			
Proposed or Enacted...............................	$1,694,200	$1,845,600	+$151,400
Unobligated balance from 1989......................	...	22,207	+22,207
Appropriation Act Reduction (Section 517)..........	NA	-27,831	-27,831
Sequestration......................................	NA	-24,737	-24,737
Total Available..................................	1,694,200	1,815,239	+121,039
Obligations..	1,694,200	1,815,239	+121,039
Budget Outlays......................................	1,651,760	1,787,840	+136,080

The lower estimate of 2,293 units under management at the end of 1990 is the net result of 2,728 more units under management at the end of 1989, the estimated completion of 2,521 fewer units in 1990 then projected in the 1990 Budget, and an increase of 2,500 units estimated to be withdrawn from the management inventory during 1990.

Based on data available at the time, the 1990 Budget projected that an appropriation of $1,694.2 million would be needed for 1990 funding requirements. However, a total of $1,815.2 million actually became available for 1990, including $50 million specifically for drug prevention/control activities.

Payments for Operation of Low-Income Housing Projects

The available amount includes a "net" appropriation of $1,743 million from the 1990 Departments of Veterans' Affairs and Housing and Urban Development Appropriations Act (P.L. 101-144). This amount reflects $1,795.6 million appropriated less a $27.8 million reduction pursuant to Section 517 of the Act and a deficit reduction sequestration of $24.7 million. In addition, $50 million were added for drug prevention and control activities by the 1990 Department of Transportation and Related Agencies Appropriations Act (P.L. 101-164) and $22.2 million of unobligated balances have been carried over from 1989.

Approximately $14 million of the $22.2 million of carryover funds will be used to cover unfunded 1988 requirements and the remaining $8.2 million will be used for drug prevention/control activities. Despite the higher amount available to fund 1990 operating subsidy requirements, current data indicate that there will be a $73.3 million shortfall in funds required for 1990 operating subsidy requirements. As a result, PHAs/IHAs are being funded at 96 percent of PFS and other requirements in 1990.

The following table compares the principal factors comprising the 1990 Budget and the 1990 current estimates.

	FISCAL YEAR 1990		
	IN 1990 BUDGET	CURRENT ESTIMATE	DIFFERENCE
	(Dollars in Thousands)		
Performance Funding System (PFS) a/	$1,720,700	$1,791,892	+$71,192
Non-PFS projects	69,000	76,340	+7,340
1988 shortfall funding	...	14,007	+14,007
Energy incentives per 1987 HCD Act	3,000	3,000	...
Formal "Allowable Expense Level" (AEL) review per 1987 HCD Act	30,000	...	-30,000
Less estimated savings from:			
Utilities "rolling-base" system	-70,900	-45,100	+25,800
Current vacancy rule policy	-17,600	-9,800	+7,800
Improved tenant income recertification/ verification activities	-40,000	...	+40,000
Subtotal, operating subsidy requirements	1,694,200	1,830,339	+136,139
Drug prevention/control activities	NA	58,200	+58,200
Total requirements	1,694,200	1,888,539	+194,339
Less: Unfunded requirements	NA	-73,300	-73,300
Total obligations	1,694,200	1,815,239	+121,039

a/ Includes additional insurance.
NA Not Applicable.

There is a net increase of $121 million between 1990 obligations identified in the 1989 Budget and current funding available for 1990 obligations. The changes are based on the following:

--the 1990 current estimate for PFS has been increased by $71.2 million which reflects a higher utility cost level based on a 1990 inflation factor of 3.188 percent for utilities (which is higher than had been estimated) and a higher actual expense level in 1989 than estimated previously;

--the increase of $7.3 million currently estimated for non-PFS projects is based on 1987 experience and a revised assumption on changes for utility costs in 1990;

--the current estimate reflects $14 million available in 1990 from the 1989 Supplemental Appropriations Act which will cover partially the 1988 shortfall in funding.

--the 1990 Budget reflected a $30 million estimated cost for a formal AEL review. This review is now expected to occur in 1991.

—the 1990 Budget assumed that $70.9 million would be saved as a result of using the "rolling-base" system for utility cost estimates. This reflected utility consumption savings which were to accrue in both 1989 and 1990. The current "rolling-base" savings estimate of $45.1 million includes the amount of savings expected only in 1990. The 1989 savings have been incorporated into and are part of the revised PFS calculation of $1,791.9 million.

—The 1990 Budget estimate of $17.6 million of anticipated savings resulting from the current vacancy rule policy included estimated savings that were to accrue in both 1989 and 1990 which is similar to the assumption used for the "rolling-base" utility estimated savings. The current estimate of $9.8 million reflects the anticipated savings expected only in 1990. As in the case of the "rolling-base" requirement, the 1989 savings now are reflected in the 1990 current estimate of $1,791.9 million for the PFS;

—the 1990 Budget reflected $40 million of estimated savings for improved tenant income recertification/verification activities. The 1990 current estimate reflects no savings because the estimated initial savings of $10 million now are anticipated to occur in 1991;

—the current estimate now reflects $8.2 million available from the 1989 Dire Supplemental Appropriations Act and $50 million from the 1990 Department of Transportation and Related Agencies Appropriations Act for drug prevention and control activities; and

—the current estimate reflects a 1990 funding shortfall of $73.3 million. This will permit funding PHA and IHA operating subsidy requirements at only 96 percent of eligibility.

The current estimate of 1990 outlays is $1,787.8 million, or $136.1 million more than the 1990 Budget estimate. This is based primarily on the higher obligations now estimated for 1990.

EXPLANATION OF 1991 INCREASES AND DECREASES

PHA/IHA-owned units under management are estimated to increase by 2,974 units in 1991. This expected increase reflects the projected completion of 9,174 units during 1991 offset partially by an estimated withdrawal of 6,200 units from the inventory where PHAs determine that units cannot be rehabilitated as viable housing over the long-term and units that are anticipated to be converted to homeownership.

The following table compares the principal factors comprising the 1990 current estimate of obligations and those estimated for 1991.

	ESTIMATE 1990	ESTIMATE 1991	DIFFERENCE
	(Dollars in Thousands)		
Performance Funding System (PFS)	$1,791,892	$1,848,930	+$57,038
Non-PFS projects	76,340	78,601	+2,261
1988 shortfall funding	14,007	...	-14,007
Energy incentives per 1987 HCD Act	3,000	3,000	...
Formal "Allowable Expense Level" (AEL) review per 1987 HCD Act	...	30,000	+30,000
Less estimated savings from:			
Utilities "rolling-base" system	-45,100	-50,400	-5,300
Current vacancy rule policy	-9,800	-19,100	-9,300
Revised vacancy rule policy	...	-14,300	-14,300
Vacant unit rule	...	-27,500	-27,500
Revised Allowable Expense Level (AEL)	...	-8,500	-8,500
Energy assistance grants included as income	...	-5,000	-5,000
Improved tenant income recertification/verification activities	...	-10,000	-10,000
Subtotal, operating subsidy requirements	1,830,339	1,825,731	-4,608
Drug prevention/control	58,200	...	-58,200
Total requirements	1,888,539	1,825,731	-62,808
Less: Unfunded requirements	-73,300	...	+73,300
Total obligations	1,815,239	1,825,731	+10,492

Payments for Operation of Low-Income Housing Projects

The 1991 obligation estimate of $1,825.7 million is $10.5 million higher than the 1990 current obligation estimate of $1,815.2 million. However, 1990 obligations are based on available funding and not on current estimates of total requirements. During 1990, PHAs/IHAs are being funded at only 96 percent of requirements. Based on revised 1990 total requirements of $1,888.5 million, the 1991 estimated obligations of $1,825.7 million actually are $62.8 million below 1990 total requirements.

As shown in the preceding table, the estimated increase in obligations is the net result of many factors. Utility and non-utility expenses (incorporated in the PFS estimate) are expected to increase from 1990 to 1991. In addition, the review of the "Allowable Expense Level" required by the 1987 Housing and Community Development Act (1987 HCD Act) also is projected to increase subsidy requirements. On the other hand, rental income (which is included in the PFS estimate) also is projected to increase. Savings are assumed from use of the "rolling-base" utility consumption level calculation, the current and revised vacancy rule policies, improved tenant income recertification/verification activities and other savings.

Budget outlays are estimated at $1,818.8 million or $31 million higher than the 1990 estimate. Because actual outlays lag behind obligations, the higher 1991 outlays reflect the higher obligation levels estimated for 1990 and 1991.

Specific factors impacting on the 1991 Operating Subsidy estimates follow:

1. Economic Assumptions. The 1991 estimate reflects the most recent assumptions about inflation and tenant incomes. The 1991 estimate assumes a 4.076 percent increase in non-utility costs and a 1.389 percent increase in utility rates. The estimate also assumes that tenant incomes will increase by 3.851 percent in 1991. The calculation of individual PHA/IHA subsidy requirements includes the use of an inflation factor which is a weighted average of State and local government costs (other than wages) and survey data on actual State and local government wages.

2. Adjustments to Operating Subsidy Requirements. The 1991 estimate reflects adjustments in operating subsidy requirements for various PHA/IHA income and expense factors based on both existing and proposed legislation, procedures and regulations affecting tenant rent payments and PHA/IHA operating costs. These adjustments reflect the following factors:

a. Rent and Tenant Income. The estimate of rental income is based on maximum rents of 30 percent of adjusted tenant income.

b. Inventory Reduction. The total estimate of income and expenses assumes that PHAs will withdraw approximately 6,200 Public Housing units from the inventory in 1991. This includes 3,200 units where the units are determined to be obsolete due to their physical condition, location or other factors, or because their retention is not in the best interests of the residents or the PHAs and 3,000 rental units anticipated to be converted to homeownership. Tenants in housing units withdrawn from the inventory in 1991 will receive Section 8 Certificates or Vouchers for relocation. In addition, under existing legislation, 15-year project-based Section 8 certificates and other project-based programs may be used as replacement housing. Legislation will be proposed to allow the use of tenant-based assistance to satisfy the one-for-one replacement of units withdrawn from the rental inventory. In addition, comparable State and local programs are eligible resources as replacement housing. An explanation of replacement/relocation housing is included in the Housing section of these Justifications.

c. Energy Incentives. The estimate reflects additional operating subsidies above the current allowable utilities expense level to encourage PHAs/IHAs to pursue more advantageous purchasing arrangements and to use private financing for energy improvements pursuant to Section 118 of the 1987 HCD Act.

d. Allowable Expense Level Review. The estimate reflects additional operating subsidies that will be required as a result of the formal review of the "Allowable Expense Levels" (AELs) as required by Section 118 of the 1987 HCD Act. The review will take place after a Final Rule is published in the Federal Register and becomes effective.

e. Utility Consumption. The estimate of utility expenses reflects regulations that require the use of a "rolling-base" consumption level consisting of average consumption levels for the most recent 3-year period. This includes energy saving improvements funded from the Public and Indian Housing Modernization program which will continue to decrease subsidy requirements for utility expenses.

f. Current Vacancy Rule Policy. The current "vacancy rule" policy establishes restrictive conditions under which PFS requirements can be calculated using an occupancy level assumption of less than 97 percent. Because of these requirements, some PHAs/IHAs calculate their rental income estimates based on higher occupancy levels than had been used previously. Most low-occupancy PHAs/IHAs have adopted a Comprehensive Occupancy Plan (COP) which includes goals for attaining increasingly higher occupancy levels. The operating subsidy is calculated on the basis of the occupancy levels projected in the COP. This produces an increase in rental income estimates and thereby results in a savings in operating subsidy requirements. In addition, PHAs/IHAs have an incentive to increase their occupancy levels above 97 percent since the additional rental income is retained by them and is not considered an offset in the calculation of operating subsidy requirements.

g. Revised Vacancy Rule Policy. A proposed revision to the "vacancy rule" would substitute a 98 percent occupancy level assumption for the 97 percent rate used under the current rule. This change would become effective in 1991 following publication of a revised PFS vacancy rule regulation. The estimated savings are in addition to the savings anticipated under the current 97 percent vacancy rule.

h. Vacant Unit Rule. A proposed rule would eliminate the payment of operating subsidy for excess vacant units beginning with elimination of one-half of the excess vacant units in 1991, three-quarters of the excess vacant units in 1992 and 100 percent of the excess vacant units in 1993. Excess vacant units are those units which cause the occupancy percentage of each PHA/IHA to fall below 98 percent, except for those units that are vacant due to on-schedule modernization. This change would become effective in 1991 through implementation of a change to the PFS regulations which would eliminate the current vacant unit rule policy. The estimated savings are in addition to the savings that are anticipated under the current rule.

i. Revised Allowable Expense Level. The current PFS regulations provide an annual one-half percent increase in the Allowable Expense Level (AEL) to reflect the increased operating cost of aging units. This increase no longer would be automatic because the impact of modernization expenditures on operating costs would be considered an offset to the increased costs due to the aging of units and is estimated to result in lower operating subsidy requirements. This change also would become effective in 1991 following a revision in the PFS regulations.

j. Energy Assistance Grants Included As Income. A proposed legislative change to be effective in 1991 would permit Low-Income Housing Energy Assistance Payments to be considered as income by PHAs/IHAs when calculating tenant rents and would result in reduced operating subsidy requirements.

k. Improved tenant income recertification/verification activities. The estimate assumes decreased operating subsidy requirements as a result of expected increases in rental income collections based on improved tenant income recertification/verification by PHAs/IHAs in accordance with the Housing and Community Development (HCD) Act of 1987.

PROGRAM DESCRIPTION

Operating subsidies are provided to PHAs/IHAs to assist in funding the operating and maintenance expenses of their owned dwellings in accordance with Section 9 of the United States Housing Act of 1937, as amended. Operating subsidies are required to help maintain services and provide minimum operating reserves. The PFS formula is the primary system for determining operating subsidy requirements. The subsidy amount is the difference between the estimate of operating costs that is calculated based on the PFS formula minus an estimate of income from rents and other sources. The PFS formula is used to calculate the level of operating subsidy for each PHA/IHA to operate its owned units, except for the PHAs of Alaska, Guam, Puerto Rico and the Virgin Islands, and the PHA-owned and IHA-owned Homeownership projects. The exceptions are due to the significantly different circumstances requiring HUD review of proposed operating budgets.

Non-utility operating costs for each PHA/IHA are based on what it would cost a well-managed PHA/IHA of comparable location and characteristics to operate based on a PFS equation, including such variables as relative regional operating costs, average number of bedrooms per unit, and average age and height of project buildings. These cost levels are updated annually based on inflation and changes in the PHA/IHA characteristics included in the equation. Utility expenses are estimated separately based on rules that set consumption at the average of a prior 3-year period ("rolling-base") and changes in utility rates.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

DRUG ELIMINATION GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Reservations	[...]	[$50,000] a/	[$106,609] b/	$149,798	+$43,189
Budget Authority (Appropriation)					
Enacted or Proposed	[$8,200] c/	[50,000] a/	[100,000] d/	150,000	+50,000
Carryover	[...]	[NA]	[8,200] c/	...	-8,200
Approp. Act Reduction (Sec. 517)	[...]	[NA]	[-775]	...	+775
Sequestration	[...]	[NA]	[-626]	...	+626
Transfer to Salaries and Expenses	[...]	[NA]	[-190]	...	+190
Proposed Transfer to Research and Technology	[...]	[NA]	[...]	-202	-202
Total Available	[8,200]	[50,000]	[106,609]	149,798	+43,189
Budget Outlays					
From New Account	[NA]	[NA]	[NA]	68,907	+68,907
Included in Other Accounts	[NA]	[23,000] a/	[49,040]	56,585	+7,545
Total Outlays	[NA]	[23,000]	[49,040]	125,492	+76,452

a/ A budget amendment transmitted to Congress included a request for $50 million for Modernization funds for drug prevention and control and resulting outlays of $23 million in 1990.

b/ Includes $8,200 thousand carried forward from the 1989 "Operating Subsidies" appropriation, $48,409 thousand from the 1990 "Annual Contributions" appropriation, and $50,000 thousand from P.L. 101-164 for Operating Subsidies.

c/ Included in "Payments for Operation of Low-Income Housing Projects" (Operating Subsidies) appropriation.

d/ Includes $50,000 thousand from the 1990 "Annual Contributions" appropriation and $50,000 thousand from the "1990 Department of Transportation and Related Agencies" appropriation (P.L. 101-164) for Operating Subsidies.

NA Not Applicable.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

A separate appropriation of $150 million is requested for 1991 to provide funds for drug prevention and control activities for Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs). Funds for drug prevention and control were included in the "Payments for Operation of Low-Income Housing Projects" (Operating Subsidies) appropriation in 1989 and in both the "Operating Subsidies" and "Annual Contributions" appropriations for 1990. A separate appropriation is being sought in 1991 to consolidate the Department's drug prevention and control activities under one account. Also, the Budget proposes to transfer $202 thousand to the Research and Technology account in support of program monitoring and evaluation activities.

2. CHANGES FROM THE 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The 1990 Budget did not directly reflect the use of any 1989 funding for drug prevention/control activities. However, language in the 1989 Dire Emergency Supplemental Appropriations Act (P.L. 101-45) transferred $88 million of 1989 Annual Contributions funding to the Operating Subsidies account of which $8.2 million were targeted to drug prevention/control activities. Grantees have been selected and the 1991 Budget reflects use of the drug prevention/control funds in 1990.

3. CHANGES FROM 1990 BUDGET ESTIMATES

No funds were requested originally for this program in the 1990 Budget. However, a proposal was included in the 1990 Budget Amendments that were transmitted to Congress on September 5, 1989 that would have added $50 million to the Modernization program under the "Annual Contributions for Assisted Housing" account in order to fund drug prevention/control activities in 1990. A total of $98,409 thousand (as adjusted) was appropriated for 1990, including $48,409 thousand from the "Annual Contributions" account and $50 million from the "Department of Transportation and Related Agencies" Appropriations Act (P.L. 101-164) for Operating Subsidies. In addition, $8.2 million was carried forward to 1990 from the 1989 "Operating Subsidies" account.

4. EXPLANATION OF 1991 INCREASES AND DECREASES

A separate appropriation of $150 million is being requested for 1991 to provide a single source of funds for drug prevention/control activities. In 1989, funds were provided to the "Operating Subsidies" account. In 1990, funds were provided under both the "Operating Subsidies" account and the "Annual Contributions" account. Also, the Department proposes that $202 thousand of the 1991 appropriation be transferred to the Research and Technology account to help support evaluation and monitoring activities. The following table compares the estimated reservations and estimated outlays in 1990 and 1991.

	ESTIMATE 1990	ESTIMATE 1991	DIFFERENCE
	(Dollars in Thousands)		
Reservations			
From 1989 Operating Subsidies appropriation	$8,200	NA	-$8,200
From 1990 Operating Subsidies appropriation	50,000	NA	-50,000
From 1990 Annual Contributions appropriation	48,409	NA	-48,409
From 1991 Drug Elimination Grants	NA	$149,798	+149,798
Total Use of Budget Authority	106,609	149,798	+43,189
Budget Outlays			
From 1989 Operating Subsidies appropriation	$3,772	$4,428	+$656
From 1990 Operating Subsidies appropriation	23,000	26,500	+3,500
From 1990 Annual Contributions appropriation	22,268	25,657	+3,389
From 1991 Drug Elimination Grants	NA	68,907	+68,907
Total Budget Outlays	49,040	125,492	+76,452

NA Not Applicable

PROGRAM DESCRIPTION

The primary purpose of this program is to promote safe and decent housing communities by ridding Public and Indian Housing of drugs and drug-related crime. This proposed new appropriation would provide a single source of funds to PHAs and IHAs for the development and implementation of various support activities in conjunction with resident management groups and resident councils to prevent and eliminate drug-related crime at Public and Indian Housing by:

- — Employing additional security personnel and investigators;
- — Reimbursing local law enforcement agencies for the cost of providing additional security and protective services;
- — Providing physical project improvements designed to enhance security;
- — Supporting tenant patrols acting in cooperation with local law enforcement agencies;
- — Developing innovative programs to reduce drug use in and around housing projects;
- — Providing resident groups with funds to develop security and drug abuse prevention programs for residents; and
- — Other activities to combat drug abuse in Public and Indian Housing projects.

Drug Elimination Grants

In addition to the grant funds to be provided to PHAs and IHAs, HUD staff provides policy direction and supporting services such as technical expertise and other information for use by project management, residents and resident groups. Drug Elimination Grant funds also are available to provide Regional training to Public and Indian Housing officials, project management, resident groups, local groups, and community leaders. Training is focused on planning skills, development of management skills, drug prevention and enforcement strategies, community mobilization and development of youth activities to reduce drug use in and around lower-income housing communities. In addition, these funds are available to furnish technical assistance to project management and resident groups in order for them to plan, develop and implement community drug prevention, control and elimination programs to better prepare them to confront the widespread abuse of controlled substances in Public and Indian Housing communities.

Drug Elimination Grant funds also are available for contractual services to operate a Drug Information Clearinghouse to gather information on drug prevention/enforcement programs as required by the Drug-Free Public Housing Act of 1988 (P.L. 100-690). An "800" access telephone system is available to anyone wishing information. The Clearinghouse staff responds to calls, identifies needs, and develops appropriate materials for dissemination.

The Budget assumes that funding will be distributed among drug prevention/control activities as follows in 1990 and 1991:

	1990	1991
	(Dollars in Millions)	
Grants to PHAs/IHAs	$105.6	$144.1
Technical assistance and training for PHAs/IHAs, resident groups, and others	0.8	5.4
Drug Information Clearinghouse	0.2	0.3
Total	106.6	149.8

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

LOW-RENT PUBLIC HOUSING--LOANS AND OTHER EXPENSES
(Public and Indian Housing Loan Fund)

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Public and Indian Housing Loans					
Direct loan disbursements......	$677,078	$547,000	$400,000	$200,000	-$200,000
PHA/IHA loan write-offs pursuant to P.L. 99-272.......	634,971	547,000	400,000	200,000	-200,000
Administrative loan approvals..	...	2,000	2,000	2,000	...
Outstanding loans, end of year.........................	20,634	21,800	20,634	20,634	...
Net Budget Authority.............	558,299	567,200	400,150	200,000	-200,150
Net Budget Outlays...............	731,207	634,323	487,488	281,464	-206,024

SUMMARY OF BUDGET ESTIMATES

1. **SUMMARY OF BUDGET REQUEST**

The 1991 Budget includes $200,000 thousand of budget authority for Treasury borrowings to provide capital funds for Public and Indian Housing development and modernization approved through 1986. No appropriation is required.

2. **CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET**

A comparison of 1989 actual data with estimates included in the 1990 Budget follows:

	FISCAL YEAR 1989		
	IN 1990 BUDGET	ACTUAL	DIFFERENCE
		(Dollars in Thousands)	
Public and Indian Housing Loans			
Direct loan disbursements to PHAs/IHAs............	$829,000	$677,078	-$151,922
PHA/IHA loan write-offs pursuant to P.L. 99-272...	829,000	634,971	-194,029
Administrative loan approvals......................	2,000	...	-2,000
Outstanding loans, end of year.....................	21,800	20,634	-1,166
Net Budget Authority................................	856,075	558,299	-297,776
Net Budget Outlays..................................	922,407	731,207	-191,200

The 1989 actual data reflects a lower than anticipated level of direct loan disbursements than previously had been reflected in the 1990 Budget. Funding requirements for Public and Indian Housing projects in the development and modernization pipelines were lower than estimated in the 1990 Budget because projects did not move through the pipelines at the anticipated rate. As a result, loan disbursements were lower than had been projected for 1989. The lower level of loan disbursements also results in lower levels of loans written-off, net budget authority and net outlays. In addition, no new administrative loans were required in 1989.

Low-Rent Public Housing--Loans and Other Expenses

3. CHANGES FROM 1990 BUDGET ESTIMATES

A comparison of 1990 current estimates with the projections included in the 1990 Budget follows:

	FISCAL YEAR 1990		
	IN 1990 BUDGET	CURRENT ESTIMATE	DIFFERENCE
	(Dollars in Thousands)		
Public and Indian Housing Loans			
Direct loan disbursements to PHAs/IHAs............	$547,000	$400,000	-$147,000
PHA/IHA loan write-offs pursuant to P.L. 99-272...	547,000	400,000	-147,000
Administrative loan approvals....................	2,000	2,000	...
Outstanding loans, end of year..................	21,800	20,634	-1,166
Net Budget Authority.............................	567,200	400,150	-167,050
Net Budget Outlays...............................	634,323	487,488	-146,835

The current estimate of $400 million of direct loan disbursements has been reduced by $147 million from the estimate in the 1990 Budget based on the actual rate experienced in 1989. The estimates of loan write-offs, budget authority and outlays also have been reduced to reflect the lower level of loan disbursements.

EXPLANATION OF INCREASES AND DECREASES

The estimates for 1991 reflect the Public and Indian Housing status of loans, budget authority and outlays as follows:

1. Public and Indian Housing Loans. The status of outstanding loans to Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs), including loan write-offs, follows:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Outstanding loans, start of year................	$21,800	$20,634	$20,634
Add: Direct loan disbursements to PHAs/IHAs.	677,078	400,000	200,000
Less: PHA/IHA Loan write-offs per P.L. 99-272	-634,971	-400,000	-200,000
Less: Loans recaptured from development and modernization activities..............	-43,273	NA	NA
Outstanding loans, end of year..................	20,634	20,634	20,634

2. Budget Authority and Outlays. The decreases in 1991 budget authority and outlay estimates reflect the diminishing number of "pre-1987" development and modernization projects remaining in the pipelines. As development and modernization approved through 1986 are completed, the requirements for loans to PHAs/IHAs are anticipated to continue to decline gradually and cease after 1992 when the last of the pipeline projects are expected to be completed or cancelled.

Low-Rent Public Housing--Loans and Other Expenses

PROGRAM DESCRIPTION

The Public and Indian Housing Loan Fund is used to provide direct Federal loans (capital funds) to PHAs/IHAs to fund the completion of Public and Indian Housing construction, acquisition, and modernization reserved through 1986 under the "Annual Contributions for Assisted Housing" appropriation. These loans are made from available resources of this Fund and from borrowings from the Treasury. This residual funding is expected to be completed by the end of 1992 when all outstanding development and modernization projects with funds reserved through 1986 are completed.

The Loan Fund also is used as a repository of appropriations provided in prior years to make interest differential payments to the Federal Financing Bank (FFB). Budget authority has been obligated in the Loan Fund to provide payments to the FFB to fund the difference in interest payments between what would have been charged if tax-exempt bonds had been sold to the public and the interest that actually was charged when instruments were sold to the FFB at a Federally taxable interest rate. Payments to the FFB for this purpose are: 1989, $135 million; 1990, $132 million; and 1991, $129 million. These payments were made in accordance with Section 16 of the Federal Financing Bank Act of 1973. The FFB currently holds about $2 billion of such instruments.

Administrative loans also are provided to PHAs/IHAs from this account when necessary to finance emergency operating requirements that cannot be funded from available resources.

Since 1988, loans have been written off in accordance with policy guidance issued by the Office of Management and Budget (OMB) in Circular A-129, Credit Management Report, and the "Government-wide Task Force Final Report on Write-off" which direct that loans that never will be collected should be written-off (but not closed out). This policy has been adopted in order not to distort amounts receivable. Pre-1987 PHA/IHA loans are forgiven pursuant to the Consolidated Omnibus Budget Reconciliation Act (P.L. 99-272) once a development or modernization project approved prior to 1987 is completed and the actual cost is determined as documented by an Actual Development/Modernization Cost Certificate. However, the borrowings from the Treasury are forgiven at the end of the fiscal year in which they are provided by the Treasury. (The write-off of loans to PHAs/IHAs is separate and apart from the forgiveness of Treasury borrowings. From an accounting standpoint, loans written off and Treasury borrowings that are forgiven represent two different stages in the accounting process even though they may occur in the same fiscal year.)

In addition, P.L. 99-272 provides for the rescission of Annual Contributions for Assisted Housing contract authority and budget authority recaptured as a consequence of loan forgiveness. That funding authority previously was obligated under the Annual Contributions account for principal and interest payments (debt service) associated with pre-1987 modernization and development loans. The contract authority and budget authority are recaptured/rescinded once construction or modernization is completed, an audit report is issued, and an Actual Development or Modernization Cost Certificate is issued.

LOAN WRITE-OFFS AND RESCISSION OF BUDGET AUTHORITY RECAPTURES

The table below shows the amount of loan write-offs and the "Annual Contributions" debt service budget authority recaptures and rescissions for the period 1989-1994. The budget authority recapture amounts represent the amount of Annual Contributions budget authority related to Public and Indian Housing development and modernization projects that have been completed and closed out during that fiscal year and are not related to the loan write-offs in any given fiscal year.

	1989	1990	1991	1992	1993	1994
		(Dollars in Billions)				
PHA/IHA loan write-offs/forgiveness.................	$0.6	$0.4	$0.2	$0.1	...	...
Budget Authority recaptures/forgiveness/rescissions	2.2	10.0	10.0	5.0	$5.0	$4.0

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated explanation for the appropriation "Salaries and Expenses, HUD" is included in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" is included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years--1989, 1990 and 1991.

BUDGET ACTIVITY 2: PUBLIC AND INDIAN HOUSING

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Total Budget Activity....................	$57,125	$55,662	$62,240	$64,817	+$2,577
Full-Time Permanent Appointments, End of Year............................	1,293	963	1,292	1,302	+10
Full-Time Equivalents....................	1,318.5	1,083.0	1,336.9	1,354.3	+17.4
Staff-Years..............................	1,340.7	1,095.9	1,349.8	1,367.2	+17.4

NOTE: Full-time permanent (FTP) figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The 1991 Budget proposes a funding level of $64,817 thousand which is an increase of $2,577 thousand from the 1990 level of $62,240 thousand. A staffing level of 1,367.2 staff-years is proposed which is an increase of 17.4 staff-years above the 1990 current estimate. The higher staffing level and related costs are consistent with program levels proposed for 1991.

FUNDING

The following table shows the actual obligations by object class for 1989 and estimated obligations for 1990 and 1991 for this budget activity.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Personal Services..........................	$49,536	$44,657	$52,671	$53,294	+$623
Travel and Transportation of Persons....	1,669	1,615	1,797	1,798	+1
Transportation of Things.................	84	55	56	51	-5
Rent, Communications and Utilities......	754	836	793	797	+4
Printing and Reproduction................	469	375	496	507	+11
Other Services............................	3,854	6,646	5,118	6,524	+1,406
(ADP Services)........................	(3,145)	(5,463)	(3,719)	(5,176)	(+1,457)
(Specific Contracts)...................	(328)	(550)	(785)	(760)	(-25)
Supplies and Materials...................	482	675	703	705	+2
Furniture and Equipment..................	271	800	603	1,138	+535
Insurance and Indemnities................	6	3	3	3	...
Total Obligations......................	57,125	55,662	62,240	64,817	+2,577

Salaries and Expenses, Housing and Urban Development
Budget Activity 2: Public and Indian Housing

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $57,125 thousand were $7,138 thousand less than the estimate of $64,263 thousand. The lower than anticipated obligations consist of a decrease of $5,969 thousand for personal services due to lower actual staffing than anticipated and lower average salary and benefits costs. In addition, there was a net decrease in support costs of $1,169 thousand due to less than anticipated obligations for supplies, equipment procurement, and technical services.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$55,662
Add revised estimate for personal services costs	+8,171
Deduct for functional transfer of 3.0 staff-years to the Office of Drug-Free Neighborhoods within the Office of General Counsel	-157
Deduct revised estimate for support costs	-1,436
Current 1990 Estimate	62,240

The differences in staffing and funding levels from the Budget to the 1990 current estimate reflect the net results of Congressional action, the Section 517 reduction, and sequestration. The 1990 estimate also reflects the functional transfer of 3.0 staff-years to the Office of Drug-Free Neighborhoods within the Office of General Counsel. Funding changes are as follows:

-- an increase of $8,171 thousand for personal services which includes increased salaries and benefits costs to support the higher staff-year level than requested in the Budget and the January 1990 general pay raise;

-- a decrease of $157 thousand representing the costs associated with the transfer of 3.0 staff-years to the Office of Drug-Free Neighborhoods within the Office of General Counsel; and

-- a decrease of $1,436 thousand for support costs on the basis of more recent cost and requirements information.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$57,125	$62,240
Changes to staffing level	+784	+618
Functional transfer to Office of General Counsel	-157	...
Fiscal year 1990 general pay raise	+1,470	+355
Fiscal year 1991 general pay raise	...	+720
Fiscal year 1991 executive pay raise	...	+27
Rising average salaries and benefits costs	+1,038	...
Budgeted reduction in average cost per staff-year	...	-1,097
Changes in travel costs	+128	+1
Changes in automated data processing costs	+574	+1,457
Changes in technical services	+457	-25
Changes in furniture and equipment	+332	+535
Changes in other support costs	+489	-14
Total obligations	62,240	64,817

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There is an increase of $3,135 thousand and $623 thousand for personal services in 1990 and 1991, respectively. The changes reflect the following:

-- the increase in 1990 of $784 thousand reflects an increase of 12.1 staff-years above the actual 1989 level and the increase of $618 thousand in 1991 reflects an additional increase of 17.4 staff-years based on workload requirements;

-- a decrease of $157 thousand in 1990 reflects the functional transfer of 3.0 staff years to the Office of Drug-Free Neighborhoods within the Office of General Counsel;

-- the general pay raise which became effective during January 1990 is estimated to require an increment of $1,470 thousand during 1990 and a further increment of $355 thousand during 1991;

-- the cost of the proposed 1991 pay raise of 3.5 percent that would become effective in January 1991 would be largely absorbed. In addition, $720 thousand will be needed to cover a portion of the total requirement;

-- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. In addition, $27 thousand will be needed to cover a portion of this requirement;

-- rising average salaries and benefits costs will require an additional $1,038 thousand in 1990; and

-- a budgeted reduction of $1,097 thousand in the average cost per staff-year in 1991 reflects the requirement to absorb pay raises and other personal services increases.

Support costs increase $1,980 thousand and $1,954 thousand in 1990 and 1991, respectively. The changes reflect the following:

-- changes in travel cost reflect increases of $128 thousand and $1,000 in 1990 and 1991, respectively. These increases are consistent with the staff levels to be supported;

-- increases in automated data processing (ADP) services of $574 thousand and $1,457 thousand in 1990 and 1991, respectively. The 1990 increase reflects greatly increased data collection and preparation costs to support the first full year of the Multifamily Tenant Characteristics System. The 1991 increase reflects increased systems development to support the Secretary's program and financial management reform initiatives;

-- changes in technical services reflect an increase of $457 thousand in 1990 and a decrease of $25 thousand in 1991. A detailed description of this requirement is included in the next section;

-- changes in furniture and equipment costs to support office automation initiatives reflect increases of $332 thousand and $535 thousand for 1990 and 1991, respectively; and

-- changes to all other non-personal services costs such as supplies, printing, and equipment maintenance result in a net increase of $489 thousand in 1990 and a net decrease of $14 thousand in 1991.

4. CONTRACTS

Funds for contracts are for needs unique to the Public and Indian Housing programs. The following table identifies the specific contracts and is followed by a brief description of the three contracts for which funds are requested in 1991.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Technical Services					
Troubled IHA Management Assistance	$105	$125	$125	$125	...
Tenant Immigration Status Verification	...	340	340	400	+$60
Resident Management Certification Standards	...	...	235	235	...
Tenant Income Verification	...	85	85	...	-85
Drug Information Clearinghouse	50	...	...	...	...
Resident Management/Participation Guidebooks	65	...	...	...	...
Tenant Vocational/Minority Youth Training Guidebook	15	...	...	...	...
PHA Preventive Maintenance Video	80	...	...	...	...
Fraud Control Video	13	...	...	...	...
Total	328	550	785	760	-25

a. Troubled IHA Management Assistance.. $125,000

These funds are required to continue to obtain contractual services to provide management assistance to 3 to 5 seriously troubled Indian Housing Authorities (IHAs). The services include assistance and/or the provision of on-site implementation of corrective actions to IHAs. The assistance to be provided to the IHAs will include on-site technical advice and guidance in the areas of general administration, financial management, project development, occupancy, and physical maintenance based on needs as indicated in current evaluations of IHA performance during the annual Administrative Capabilities Assessment. The results of the technical assistance will provide both the IHAs and the Department with the basis upon which remedial improvements can be initiated. In addition, materials produced by the contractor(s) will be available for use by the Field Offices to provide training and technical assistance to other IHAs. It is expected that contract assistance to the IHAs will produce substantial savings to the Federal Government in the future in terms of more efficient and economical IHA operations.

b. Tenant Immigration Status Verification.................................. $400,000

These funds are required in order to continue to provide a single funding source that permits Public Housing Agencies (PHAs) to obtain information from the Immigration and Naturalization Service's (INS) Systematic Alien Verification for Entitlement (SAVE) system for use in verifying the immigration status of PHA tenants. The Housing and Community Development Act of 1987 requires verification of the immigration status of all recipients of Federally assisted housing program benefits who do not declare citizenship. The single source of funding is used because it is the most cost effective and administratively efficient method to pay for the services.

The SAVE system has been developed to help prevent ineligible aliens from obtaining and retaining Federal benefits. When individuals who are not citizens apply for housing assistance or are determined ineligible during annual recertification, the PHA and/or private owner must use the INS data base to determine the individual's immigration status. The anticipated cost of the proposed interagency agreement is based on an estimated alien resident population in 5 percent of the total units available for occupancy.

e. Resident Management Certification Model Standards........................ $235,000

These funds are required in order to continue to obtain contractual services to develop performance standards for a proposed Resident Management Certification program. The contractor will continue to develop model performance standards and a comprehensive training program in all aspects of project management for a well-managed Resident Management Corporation (RMC), including financial controls, standards of conduct, management and maintenance standards, and resident participation standards. The model will be based on research and statistics obtained from the National Center for Housing Management, the National Association of Housing and Redevelopment Officials, and the Institute of Real Estate Management. The model standards developed by the contractor would be used by RMCs to train and certify staff as qualified to manage their programs.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Public and Indian Housing (PIH) staff is responsible for performing functions pursuant to legislation which authorizes the Department to enter into contracts for the development, operation, major reconstruction, and modernization of projects for occupancy by lower-income households. The principal legislative authorization for PIH activities is the U.S. Housing Act of 1937, as amended. That legislation also authorizes payments to local PHAs/IHAs to assist in funding the development, operation and modernization of Public Housing and Indian Housing dwellings.

The principal functions conducted by PIH staff are as follows:

- providing guidance and technical assistance to PHAs/IHAs during the development process, including pre-application and other activities through to completion of development (construction, major reconstruction or acquisition), executing and closing contracts, and performing inspections to ensure compliance with existing development standards;
- participating in the analysis, review and evaluation of Public Housing and Indian Housing projects during the development and occupancy stages;
- providing guidance and expertise in the management and modernization of Public Housing and Indian Housing projects, including issuing procedures, monitoring the effectiveness of PHA and IHA management, and the use of operating subsidies through the PHA/IHA operating budget review process;
- developing policies and training materials and monitoring activities related to eliminating the hazard of lead-based paint in Public and Indian Housing projects;
- conducting periodic management reviews of the Public Housing and Indian Housing programs covering such areas as: (1) income recertifications; (2) occupancy audits; (3) financial reviews; (4) engineering surveys; (5) maintenance inspections; (6) resident initiatives (7) administrative practices; and (8) rent determinations;
- identifying troubled PHAs/IHAs and assisting in the development of work-out plans to assure long-range financial and operational viability;
- encouraging and monitoring resident initiatives, including the development of resident organizations as well as promoting resident management, homeownership, economic development, job training and entrepreneurial strategies, and other support services to promote the self-sufficiency of Public and Indian Housing residents;
- administering the Public Housing Child Care Demonstration authorized by Section 222 of the Housing and Urban-Rural Recovery Act of 1983, as amended; and
- cooperating with other Federal, State and local Agencies, and resident organizations in conjunction with the "National Drug Control Strategy" and providing information and guidance to PHAs, IHAs and resident groups to promote drug-free Public and Indian Housing as authorized by the Public Housing Drug Elimination Act of 1988 and the Drug-Free Public Housing Act of 1988 (P.L. 100-690).

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2. PROGRAM WORKLOAD

Field staff requirements are related primarily to Public Housing and Indian Housing development and management activities which are listed on the previous pages. A summary of selected program workload indicators follows:

SUMMARY OF SELECTED PROGRAM WORKLOAD INDICATORS

PROGRAM INDICATORS	1989	1990	1951
DEVELOPMENT ACTIVITIES			
Public Housing (units)			
Pipeline, Start of Year:			
Preconstruction	18,968	19,031	18,924
Under Construction	7,142	8,325	9,925
Program Activity in Year:			
Reservations	5,246 a/	6,293 b/	...
Starts c/	4,246	5,800	5,800
Completions d/	3,163	4,200	6,800
Indian Housing (units)			
Pipeline, Start of Year:			
Preconstruction	8,571	7,356	6,711
Under Construction	1,357	1,949	1,783
Program Activity in Year:			
Reservations	1,478	1,823	...
Starts	2,667	2,305	1,521
Completions	2,075	2,471	2,374
MANAGEMENT ACTIVITIES			
Public Housing, Start of Year			
PHAs with units under management	3,133	3,131	3,128
Projects under management	12,654	12,646	12,633
PHA-owned units under management	1,315,326	1,315,289	1,313,789
Modernization projects in pipeline	8,190	9,279	9,667
Indian Housing, Start of Year			
IHAs with units under management	170	172	172
Projects under management	2,027	2,060	2,141
IHA-owned units under management	60,760	62,835	65,306
Modernization projects in pipeline	693	945	1,060
Leased Housing, Start of Year			
PHA/IHA-leased units under management	26,007	25,692	24,197

a/ In addition, reservations were made for the major reconstruction of 1,854 existing units in obsolete projects.

b/ Estimate is subject to change based on the total number of new units fundable. Actuals will vary depending on PHA applications for development and/or major reconstruction of obsolete projects.

c/ Includes workload reflecting the execution of Annual Contribution Contracts for existing housing. The 1989 data are based on the Department's Resource Allocation Guidelines Systems (RAGS) data. The data include existing housing units.

d/ Includes workload reflecting existing housing units made available for occupancy. The 1989 data are based on RAGS data.

Salaries and Expenses, Housing and Urban Development
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3. SUMMARY OF STAFFING REQUIREMENTS

The 1990 current estimate of 1,349.8 staff-years is consistent with the minimum staff-years required by the 1990 VA-HUD-Independent Agencies Appropriations Act as adjusted for Section 517 and Sequestration reductions. In addition, the estimate reflects the functional transfer of 3.0 staff-years to the Office of Drug-Free Neighborhoods within the Office of General Counsel for drug prevention and control activities.

No change in positions, but a decrease of 1.5 staff-years are reflected for Headquarters in 1991. The requested increase of 10 FTP positions and 18.9 staff-years for the Field are consistent with proposed program levels for 1991.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters	129	138	142	142	...
Field	1,164	825	1,150	1,160	+10
Total	1,293	963	1,292	1,302	+10

NOTE: Full-time permanent (FTP) figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters	131.7	148.2	149.7	148.2	-1.5
Field	1,209.0	947.7	1,200.1	1,219.0	+18.9
Total	1,340.7	1,095.9	1,349.8	1,367.2	+17.4

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel	1,274.9	1,297.1	1,298.7
Temporary and Part-Time Employees	49.7	41.1	56.9
Overtime	13.1	1.2	1.2
Terminal Leave	3.0	10.4	10.4
Total Staff-Years	1,340.7	1,349.8	1,367.2

A description of each category of employment is included in the explanation of the appropriation "Salaries and Expenses, HUD" contained in another part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of full-time permanent personnel, temporary, part-time and intermittent employment and special employment programs for the handicapped, high school and college students employed during the summer, and as paid overtime and terminal leave (accumulated annual leave) payments for employees who retire or otherwise leave Federal Government service.

Salaries and Expenses, Housing and Urban Development
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EXPLANATION OF STAFFING REQUIREMENTS

1. HEADQUARTERS EMPLOYMENT

The 1991 estimates provide the same number of full-time permanent (FTP) appointments (positions) at the end of both 1990 and 1991, but reflect a decrease of 1.5 staff-years compared with the 1990 current estimates. The following table indicates the distribution of FTP positions and staff-years for the PIH Headquarters offices.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Assistant Secretary..........................	15	23	18	18	...
Finance and Management.......................	26	26	28	28	...
Resident Initiatives.........................	5	...	11	11	...
Indian Housing...............................	12	14	14	14	...
Public Housing...............................	71	75	71	71	...
Total Full-Time Permanent Appointments, End of Year...............................	129	138	142	142	...

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Assistant Secretary..........................	17.0	24.0	18.7	18.0	-0.7
Finance and Management.......................	26.0	27.0	28.3	28.0	-0.3
Resident Initiatives.........................	3.0	...	15.0	15.0	...
Indian Housing...............................	12.0	15.0	15.0	15.0	...
Public Housing...............................	73.1	75.0	71.5	71.0	-0.5
Subtotal, Public and Indian Housing.......	131.1	147.0	148.5	147.0	-1.5
Terminal Leave Requirements.................	0.6	1.2	1.2	1.2	...
Total Staff-Years..........................	131.7	148.2	149.7	148.2	-1.5

The Headquarters staff performs the following principal functions in support of Public and Indian Housing goals:

- — develops program policies, procedures and guidelines for all PIH programs, including Secretarial priorities for Public and Indian Housing involving resident management, homeownership, economic development and supportive services;

- — directs and coordinates the administration of all PIH programs and provides training and technical assistance and procedural guidance to the HUD Field staff, PHAs, IHAs, and resident groups, as appropriate.

- — monitors, reviews and evaluates Field program operations and reviews administrative practices of local agencies, including PHAs, IHAs, and resident groups to ensure that programs are managed efficiently and that services and assistance are provided as intended; and

- — provides financial assistance for use by local agencies as well as program, administrative, management, statistical and budget support.

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2. FIELD EMPLOYMENT

The following table indicates the distribution of Field staff for full-time permanent (FTP) appointments (positions) and staff-years by broad functional area based on the Department's Resource Allocation Guidelines System (RAGS). The table is followed by an explanation of staff functions and tables which identify selected development and management program workload indicators which are the basis for RAGS. The details of the Public and Indian Housing Field staff-year estimates based on RAGS are shown in the table at the end of this section.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Public Housing:					
Development Activities....................	135	142	133	172	+39
Management Activities....................	839	546	829	816	-13
Subtotal, Public Housing...............	974	688	962	988	+26
Indian Housing:					
Development Activities....................	87	65	86	72	-14
Management Activities....................	103	72	102	100	-2
Subtotal, Indian Housing...............	190	137	188	172	-16
Total Full-Time Permanent Appointments, End of Year...........................	1,164	825	1,150	1,160	+10

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Public Housing:					
Development Activities..................	140.3	161.0	138.0	179.0	+41.0
Management Activities...................	869.0	621.5	858.0	851.8	-6.2
Subtotal, Public Housing..............	1,009.3	782.5	996.0	1,030.8	+34.8
Indian Housing:					
Development Activities..................	90.1	74.0	92.0	75.0	-17.0
Management Activities...................	107.2	82.0	102.9	104.0	+1.1
Subtotal, Indian Housing..............	197.3	156.0	194.9	179.0	-15.9
Subtotal, Public and Indian Housing...	1,206.6	938.5	1,190.9	1,209.8	+18.9
Terminal Leave Requirements...............	2.4	9.2	9.2	9.2	...
Total Staff-Years.......................	1,209.0	947.7	1,200.1	1,219.0	+18.9

a. Development Staff. The Public and Indian Housing development staffs work directly with PHAs/IHAs and other governmental entities in the preparation, review, and approval of applications for funding. Staff activities begin with the initial inquiry about obtaining program assistance and continue through the review and approval of the application, the execution of assistance contracts and/or amendments, and the inspection and completion of construction and/or acquisition. These activities are designed to ensure protection of the Federal investment. The principal types of professionals employed and their related major functions follow:

--Construction analysts/architects examine project sites and advise designers about the preparation of construction contract documents submitted in conjunction with applications for the Public Housing and Indian Housing programs, respectively. They also monitor construction contract administration for Public Housing and Indian Housing projects. Assistance to the PHAs/IHAs and their consultants also is provided covering contract compliance, budgetary and insurance issues, contract disputes and delays, contract settlement and acceptance of work, and other related subjects.

--Cost analysts are responsible for the development and maintenance of construction cost data for projects. These personnel advise and assist PHAs/IHAs on technical matters regarding construction costs, analyze construction cost data, and select prevailing prices for use in making replacement cost estimates. They also prepare quality analyses and construction cost comparisons which reflect locality adjustment percentages for periodic cost reports.

--Engineers provide direct assistance and consultation to construction analysts and/or architects on complex mechanical, electrical, structural, civil or sanitary engineering problems, as appropriate.

--Financial analysts determine the financial feasibility of applications for assistance and the funding required by PHAs/IHAs to develop projects. Using information that has been developed by other HUD staff, they determine whether the proposed development is a sound financial undertaking for the particular program. They ensure that PHAs/IHAs have sufficient funds for project development.

--Appraisers make real estate appraisals of vacant sites and existing improvements in conjunction with applications for Public and Indian Housing. They also complete environmental evaluation reports for proposed sites and provide assistance to PHAs/IHAs in connection with land options and purchases.

Field staff also are responsible for coordinating the allocation and commitment of Public and Indian Housing funds. Responsibilities include reviewing applications from PHAs/IHAs, providing technical assistance to PHAs/IHAs in the preparation of applications and in subsequent development steps, reviewing PHA/IHA submissions, reserving funds and executing Annual Contributions Contracts. The Public Housing development staff also are responsible for post-approval processing. Field staff place considerable emphasis on expediting the review of Public and Indian Housing projects under development and terminating the development of projects where PHAs/IHAs are unable to demonstrate adequate progress (or provide valid reason(s) for delay) toward starting construction after 30 months following fund reservation.

The following table indicates selected development workload indicators for 1989, 1990 and 1991:

DEVELOPMENT INDICATORS

	1989	1990 (In Units)	1991
Public Housing			
In process, start of year	26,110	27,356	28,849
Reservations in year	5,246 a/	6,293 b/	...
Starts in year c/	4,246	5,800	5,800
Completions in year d/	3,163	4,200	6,800
Indian Housing			
In process, start of year	9,928	9,305	8,494
Reservations in year	1,478	1,823	...
Starts in year	2,667	2,305	1,521
Completions in year	2,075	2,471	2,374

a/ In addition, reservations were made for the major reconstruction of 1,854 existing units in obsolete projects.

b/ Estimate is subject to change based on the total of new units fundable. Actuals will vary depending on PHA applications for development and/or major reconstruction of obsolete projects.

c/ Includes workload reflecting the execution of Annual Contribution Contracts for existing housing. The 1989 data are based on RAGS data.

d/ Includes workload reflecting existing housing units made available for occupancy. The 1989 data are based on RAGS data.

b. Management Staff. The Public and Indian Housing management staffs work directly with PHAs/IHAs and resident groups to preserve the quality and fiscal integrity of Public and Indian Housing projects in order to ensure protection of the Federal investment. The Field staff oversight of management functions encompass resident initiatives, modernization activities, maintenance, utility and engineering functions, and approval of Operating Subsidies as explained in the "Annual Contributions for Assisted Housing," "Public and Indian Housing Modernization," "Housing Payments," "Payments for Operation of Low-Income Housing Projects," "Low-Rent Public Housing Loans," and the "Drug Prevention Grants" sections of the Justifications. In addition to assisting in developing special work-out programs aimed at correcting major problems in troubled PHAs/IHAs (e.g., severe financial or rehabilitation needs), functions include overall responsibility for ensuring that housing management activities such as financial, physical, social and management policies and procedures are met during and immediately after the development stages to help eliminate the causes of many subsequent management problems.

Other management activities include the review of PHA/IHA operations, operating budgets, administrative and management plans, general management feasibility, management criteria for project selection, leases, rent-up, and initial operating plans. In addition, the staff monitors program activities, including management and financial practices and procedures, and conducts on-site inspections of projects.

The management staff also provide training, technical advice and assistance to PHAs/IHAs and resident groups about general management, drug prevention and control, economic development, computerization of records, HUD accounting and financial policies, procedures, and reporting requirements as well as supply management and insurance. Functions also include reviewing accounting system proposals of fee contract accountants and data processing firms and assisting new PHAs/ IHAs to to establish accounting and financial reporting systems. The principal types of professionals employed and their related major functions follows:

--Housing management officers are the primary contact with PHAs/IHAs with respect to Public and Indian Housing management activities. They provide technical assistance to PHAs/IHAs concerning general management and administrative functions, including advice on staffing, personnel policies, procurement, insurance, training, rent collections, vacancy problems, vandalism and crime prevention, and modernization programs. They also conduct periodic management reviews and secure correction of their findings. In addition, they are responsible for promoting the effective and efficient operation of PHAs/IHAs and for coordinating all Public and Indian Housing management specialist activities.

--Resident initiative coordinators are responsible for ensuring that specific Secretarial priorities for Public and Indian Housing are accomplished in the areas of resident management, homeownership, economic development, and drug prevention/control. They encourage PHAs, IHAs, resident groups and others to obtain needed resources to ensure accomplishment of goals and provide technical assistance through training, development of plans and strategies, and the conduct of on-site reviews. In addition, the resident initiative coordinators monitor the use of resident management assistance funds and drug prevention/control funds to ensure proper expenditures and also review and evaluate program accomplishments.

--Financial management analysts are responsible for financial management, budgeting, and fiscal control of projects, including the review of: the financial feasibility of proposed projects; Public and Indian Housing Modernization funding; PHA/IHA operating budget proposals (including determination of Public and Indian Housing Operating Subsidies); operating budget revisions; and financial statements. The financial management analysts also conduct on-site PHA/IHA financial management reviews and surveys.

--Occupancy specialists review and monitor HUD rental and occupancy policies and procedures for projects and make appropriate recommendations to PHA/IHA management. This involves reviewing and monitoring initial occupancy plans, rent schedules, income limits, leases, tenant eligibility, and income certifications; and the conduct of occupancy reviews and audits. Special emphasis is placed on HUD policies and standards in areas such as lease and grievance procedures, tenant selection, and rent and income criteria.

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--Maintenance engineers are responsible for physical plant maintenance, safety, and energy policies at all stages of development and especially during the management operations phase. They review maintenance plans and the organization and staffing of maintenance activities and perform periodic reviews of maintenance operations and the physical condition of properties through on-site inspections. These specialists also have major technical responsibility for the planning and execution of the Modernization program.

--Utility specialists have responsibility for ensuring that efficient and economic utility services are provided to projects. Special attention is focused on energy supply problems and conservation measures. Functions include the establishment of prototype utility arrangements, review of utility services selection during the development stages, evaluation of utility operations, and the coordination of utility requirements with public service commissions.

The following table indicates selected management workload indicators for 1989, 1990 and 1991:

MANAGEMENT INDICATORS

	1989	1990	1991
Public Housing			
PHA-owned units under management, start of year..............	1,315,326	1,315,289	1,313,789
PHA-leased units under management, start of year.............	25,907	25,592	24,097
Modernization projects in pipeline, start of year............	8,190	9,279	9,667
Indian Housing			
IHA-owned units under management, start of year..............	60,760	62,835	65,306
IHA-leased units under management, start of year.............	100	100	100
Modernization projects in pipeline, start of year............	693	945	1,060

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DETAIL OF PUBLIC AND INDIAN HOUSING FIELD STAFFING REQUIREMENTS

RESOURCE ALLOCATION GUIDELINES	INDICATOR (WORK UNIT)	1990 PROJECTED ACCOMPLISH-MENT	1990 PROJECTED UNIT COST (STAFF-HOURS)	1990 STAFF-YEARS	1991 PROJECTED ACCOMPLISH-MENT	1991 PROJECTED UNIT COST (STAFF-HOURS)	1991 STAFF-YEARS
PUBLIC HOUSING							
Development:							
Preconstruction..............	Projects	474	296.2	67	540	296.2	77
Under Construction a/........	Projects	186	698.9	62	288	698.9	96
Post Construction b/.........	Projects	5,682	3.4	9	3,500	3.4	6
Subtotal, Development......				138			179
Management:							
General Management...........	PHAs	3,108	89.3	133	2,817	89.3	120
Resident Initiatives.........	c-1/	339	322.1	52	339	322.1	52
Occupancy Audits.............	c-2/	945	115.5	52	945	115.5	52
Management Reviews...........	c-3/	1,868	54.0	48	1,870	54.0	48
Large Troubled PHAs..........	c-3/	900	76.0	33	900	76.0	33
Maintenance and Utilities....	c-4/	2,500	54.2	65	2,500	54.2	65
Financial Management.........	c-5/	18,000	22.9	198	18,000	22.9	197
Subtotal....................				581			567
Modernization:							
Application Processing.....	Projects	3,236	16.0	25	3,021	16.0	23
Program Implementation.....	Projects d/	9,279 e/	56.6	252	9,667	56.6	262
Subtotal, Modernization..				277			285
Subtotal, Management.......				858			852
Total, Public Housing....				996			1,031
INDIAN HOUSING							
Development:							
Preconstruction..............	Projects	368	240.2	42	300	240.2	35
Under Construction...........	Projects	98	923.2	43	82	923.2	36
Post Construction............	Projects	140	96.6	7	90	96.6	4
Subtotal, Development......				92			75
Management:							
General Management...........	IHAs/Reviews	256	255.9	31	240	255.9	29
Resident Initiatives.........	c-1/	60	225.3	6	60	225.3	6
Problem-Focused Reviews......	c-4/	317	36.0	5	294	36.0	5
Limited Reviews..............	c-4/	44	165.4	3	44	165.4	3
Financial Management.........	c-5/	1,360	49.7	32	1,360	49.7	32
Subtotal....................				77			75
Modernization:							
Application Processing.....	Projects	346	7.5	1	323	7.5	1
Program Implementation.....	Projects d/	945 e/	55.5	25	1,060	55.5	28
Subtotal, Modernization..				26			29
Subtotal, Management.......				103			104
Total, Indian Housing....				195			179
Terminal Leave....................				9			9
GRAND TOTAL, PUBLIC AND INDIAN HOUSING..........				1,200			1,219

NOTE: Staff-years have been rounded to the nearest whole number. The unit cost reflects staff-hours per work unit, including related training activities. A staff-year equals 2,080 hours in 1990 and 2,088 hours in 1991.

a/ Includes the execution of Annual Contribution Contracts for existing housing.

b/ Includes existing housing projects made available for occupancy.

c/ (1) Plans, reviews, training conferences, partnerships, needs assessments, resource directories and working groups. (2) Reviews, Audits and Training; (3) Reviews and Reports; (4) Reviews and Training; and (5) Budget Review Approvals, Financial Statement Reviews, and Insurance Policy Reviews and Approvals.

d/ Reflects individual funded projects in process at start of year.

e/ Actual data.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PUBLIC AND INDIAN HOUSING
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-4 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 PROGRAM ADVISOR	1	1	1
GS/GM-15	6	8	8
GS/GM-14 AND BELOW	6	7	7
TOTAL FTPS	15	18	18
FTE WORK-YEARS	17.0	18.7	18.0
AVERAGE EMPLOYMENT	17.0	18.7	18.0
PERSONAL SERVICES	$775	$822	$914

OFFICE OF FINANCE AND MANAGEMENT

TITLE & GRADE	1989	1990	1991
GS/GM-15 DIRECTOR	1	1	1
GS/GM-15	2	2	2
GS/GM-14 AND BELOW	23	25	25
TOTAL FTPS	26	28	28
FTE WORK-YEARS	26.0	28.3	28.0
AVERAGE EMPLOYMENT	26.0	28.3	28.0
PERSONAL SERVICES	$1,165	$1,216	$1,202

OFFICE OF RESIDENT INITIATIVES

TITLE & GRADE	1989	1990	1991
GS/GM-15 DIRECTOR	1	1	1
GS/GM-15	2	3	3
GS/GM-14 AND BELOW	2	7	7
TOTAL FTPS	5	11	11
FTE WORK-YEARS	3.0	15.0	15.0
AVERAGE EMPLOYMENT	3.0	15.0	15.0
PERSONAL SERVICES	$260	$607	$500

OFFICE OF PUBLIC HOUSING

TITLE & GRADE	1989	1990	1991
ES-4 DIRECTOR	1	1	1
GS/GM-15	6	6	6
GS/GM-14 AND BELOW	64	64	64
TOTAL FTPS	71	71	71
FTE WORK-YEARS	72.2	70.6	70.1
AVERAGE EMPLOYMENT	73.7	72.7	72.2
PERSONAL SERVICES	$4,053	$4,861	$4,815

OFFICE OF INDIAN HOUSING

TITLE & GRADE	1989	1990	1991
ES-2 DIRECTOR	—	1	1
ES-1 DIRECTOR	1	—	—
GS/GM-14 AND BELOW	11	13	13
TOTAL FTPS	12	14	14
FTE WORK-YEARS	12.0	15.0	15.0
AVERAGE EMPLOYMENT	12.0	15.0	15.0
PERSONAL SERVICES	$630	$709	$702

PUBLIC AND INDIAN HOUSING FIELD OFFICES

TITLE & GRADE	1989	1990	1991
GS/GM-15	16	16	16
GS/GM-14 AND BELOW	1,148	1,134	1,144
TOTAL FTPS	1,164	1,150	1,160
FTE WORK-YEARS	1,188.3	1,189.3	1,208.2
AVERAGE EMPLOYMENT	1,209.0	1,200.1	1,219.0
PERSONAL SERVICES	$42,653	$44,456	$45,161

SUMMARY PUBLIC AND INDIAN HOUSING

TITLE & GRADE	1989			1990			1991		
	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL
EXECUTIVE LEVEL IV	1	—	1	1	—	1	1	—	1
ES-4	3	—	3	3	—	3	3	—	3
ES-2	—	—	—	1	—	1	1	—	1
ES-1	1	—	1	—	—	—	—	—	—
GS/GM-15	18	16	34	21	16	37	21	16	37
GS/GM-14 AND BELOW	106	1,148	1,254	116	1,134	1,250	116	1,144	1,260
TOTAL FTPS	129	1,164	1,293	142	1,150	1,292	142	1,160	1,302
FTE WORK-YEARS	130.2	1,188.3	1,318.5	147.6	1,189.3	1,336.9	146.1	1,208.2	1,354.3
AVERAGE EMPLOYMENT	131.7	1,209.0	1,340.7	149.7	1,200.1	1,349.8	148.2	1,219.0	1,367.2
PERSONAL SERVICES	$6,883	$42,653	$49,536	$8,215	$44,456	$52,671	$8,133	$45,161	$53,294

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

GUARANTEES OF MORTGAGE-BACKED SECURITIES

PROGRAM HIGHLIGHTS

Program Levels:	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Commitments:					
Limitation	$144,000,000	$75,000,000	$81,713,500 a/	$80,000,000	-$1,713,500
Use	55,117,655	66,260,173	74,535,009	79,833,979	+5,298,970
Guarantees:					
Issued in year	55,374,090	55,216,811	62,112,508	66,528,316	+4,415,808
Outstanding, end of year	361,755,744	385,718,293	390,109,830	417,278,996	+27,169,166
Guarantee fees	221,399	247,511	239,082	264,664 b/	+25,582
Advances to investors	511,687	209,310	736,585	595,274	-141,311
Acquired properties/ mortgages, end of year, gross	93,521	59,661	193,750	155,467	-38,283
Default expenses	48,185	17,552	117,331	52,344	-64,987
Budget outlays	-30,991	-313,392	49,033	-289,644 b/	-338,677

a/ Represents $83 billion included in 1990 Appropriations Act, less the Section 517 reduction of $1.3 billion.

b/ Includes receipt of $10,299 thousand resulting from proposal to increase fees.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget proposes a limitation on new commitments of $80 billion for 1991. The commitment and guarantees issued estimates of $79.8 billion and $66.5 billion, respectively, are based on FHA and VA estimates of mortgage insurance and guarantee activity.

Under the existing program, no appropriation is required. Income derived from program operations is sufficient to meet operating costs. Also, GNMA may borrow from the Treasury, if necessary, to meet guarantee requirements.

The Budget also reflects the Administration's proposal to increase the guarantee fee paid by issuers in GNMA's single family programs from 6 basis points to 10 basis points in 1991. The higher fee will provide GNMA with increased reserves to offset future losses from issuer defaults.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

GNMA issued $55.1 billion of commitments in 1989, down $7.5 billion from the 1990 Budget estimate of $62.6 billion. The decrease in activity was mainly due to an increase in mortgage interest rates during fiscal year 1989. Unlike commitment activity, guarantees issued increased by $3.2 billion from $52.2 billion (1989 estimate in 1990 Budget) to $55.4 billion. The increase in guarantees issued is attributable to issuers using prior year commitments. Net receipts dropped significantly ($179 million), from the estimated $210 million to $31 million, because of an increase in issuer defaults as discussed below.

Guarantees of Mortgage-Backed Securities

The significant decrease in receipts of $362 million is principally caused by increases in advances and claim expenses as a result of issuer defaults.

EXPLANATION OF INCREASES AND DECREASES

The 1991 request for an $80 billion limitation on guarantee commitments represents a $1.7 billion decrease from the amount enacted for 1990. Commitments issued are expected to increase by $5.3 billion to $79.8 billion. Guarantees issued are expected to increase by $4.4 billion. The increases in commitments and guarantees issued are due to expected increases in FHA and VA activity in 1991. The elimination of the "cushion" that has existed in prior years between the requested limitation and expected activity represents an effort to request an amount more representative of actual need.

A substantial increase in 1991 net receipts of $338,677 thousand (from $49,033 thousand in outlays for 1990 to $289,644 thousand in net receipts for 1991) results from: (1) the continued growth of the program, (2) a reduction in the dollar amount of foreclosed properties and mobile home loans being bought out of defaulted pools, (3) a reduction in advances due to issuer defaults, (4) a reduction in operating expenses mainly associated with the servicing of mortgages acquired through issuer defaults, and (5) the guarantee fee increase from 6 basis points to 10 basis points.

PROGRAM DESCRIPTION

This program facilitates the financing of residential mortgage loans insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs and the Farmers Home Administration. Funds are provided through investments in long-term securities guaranteed by GNMA which are based on and backed by pools of such mortgages. The investment proceeds are used in turn to finance additional mortgage loans.

Institutions which originate and service mortgages (such as mortgage companies, commercial banks, savings banks and savings and loan associations) assemble pools of mortgages and issue securities backed by the pools. The securities are bought by investors who are either not equipped to assume the complexities of managing mortgage portfolios or require liquidity in their investments.

Approximately 70 percent of the funds used to purchase GNMA securities in 1989 came from nontraditional mortgage investors, including pension and retirement funds, life insurance companies and individuals.

GNMA currently guarantees modified "Pass-Through Type" securities. Modified pass-through securities provide payment to registered holders of interest plus the monthly installments of principal due on the pooled mortgages, whether or not collected, plus any additional principal collections.

Separate pass-through programs have been developed to finance single family homes, multifamily projects and mobile homes. GNMA first issues a "commitment" to the prospective securities issuer indicating the firm meets GNMA's eligibility requirements. After GNMA issues the commitment, the issuer can begin to assemble mortgage pools and issue securities. Securities are issued with minimum face amounts of $25,000 and increments of $5,000 thereafter which bear the same aggregate face amount as the aggregate unpaid balance of the pooled mortgages and bear interest at the rate borne by the mortgages--less the amount of issuer servicing fees and GNMA guarantee fees.

GNMA's credit risk in this program is limited by mortgage insurance provided by Government agencies with respect to all pooled loans.

The program is administered solely by HUD Headquarters staff. Certain issuer monitoring activities are performed through a contract with Coopers and Lybrand. Central paying agent and securities preparation, transfer and registry are carried out under contract with the Chemical Bank in New York City. Also, GNMA is under contract with different MBS issuers to manage its portfolios that have been acquired over the past several years as a result of issuer defaults.

Guarantees of Mortgage-Backed Securities

During 1989, GNMA experienced a substantial increase in issuer defaults where GNMA has been forced to assume the issuer responsibilities. GNMA's total servicing portfolio increased from approximately $3 billion to $12 billion in 1989. Additionally, GNMA estimates that it will be forced to take over the servicing of an additional $16 billion in loans because of issuer defaults between 1990 and 1995. Future losses from the above portfolios are expected to reach approximately $610 million with the majority of the losses from the portfolios being incurred in 1990 through 1992.

The majority of the increase in issuer defaults is in GNMA's single family and multifamily programs. GNMA's single family servicing portfolio increased from approximately $600 million to over $10 billion during 1989. The default of New York Guardian, a $7 billion servicing portfolio, was the main contributing factor. Additional single family defaults of $14.5 billion are anticipated through 1995. Future losses on the above single family portfolio are expected to exceed $267 million. The single family defaults are largely due to the continued regional weakness in the economy, particularly in the southwest, and VA "no-bids". The Deficit Reduction Act of 1984 required that VA limit its losses by not bidding-in properties at foreclosure sales when doing so would result in a loss greater than the VA guarantee amount. This has forced the lender community to absorb additional losses estimated at $20,000 for each VA no-bid loan. GNMA incurs these losses when lenders exhaust their capital and can no longer make the necessary advances to GNMA investors. In the multifamily program, GNMA's servicing portfolio increased from approximately $1 billion to $1.6 billion in 1989. Additional multifamily defaults of $1.6 billion are anticipated through 1995. GNMA losses from the above multifamily portfolio are expected to reach $47 million. GNMA will be fully indemnified by FHA on multifamily foreclosures except for administrative, assignment, and extraordinary costs. The increase in multifamily defaults is directly attributable to regional weakness in the economy and a structurally flawed coinsurance program.

GNMA's mobile home servicing portfolio has decreased from approximately $1.2 billion to $963 million in 1989. Additional defaults of $50 million in 1990 are included in the Budget estimates. Losses from the above mobile home portfolio are expected to reach $296 million. Mobile home defaults have subsided and barring any further deterioration in the economy, GNMA believes it has experienced the worst. Through aggressive actions, GNMA has reduced its inventory from about 6 thousand (including about 2,000 in pools) foreclosed mobile home units down to less than 3 thousand units in 1989. GNMA has also placed a moratorium on new issuers coming into the mobile home program until the program can be properly evaluated.

GNMA's strategy with respect to the management of acquired servicing is one of first stabilization and then sale. When GNMA defaults an issuer, it assumes the issuer status and subservices the acquired portfolio to a third party. With the assistance of the subservicers, GNMA manages the individual pools by improving collections on delinquent loans, filing claims with FHA and VA on assigned mortgages and foreclosed properties and modifying loans. Where possible, the pools are then packaged for purposes of selling the servicing rights of the portfolio.

3. CHANGES FROM 1990 BUDGET ESTIMATES

	FISCAL YEAR 1990 ESTIMATES	
	BUDGET ESTIMATE	CURRENT ESTIMATE
	(Dollars in Thousands)	
Limitation on credit commitments.....	$75,000,000	$81,713,500
Commitments issued in year............	66,260,173	74,535,009
Guarantees issued in year............	55,216,811	62,112,508
Outlays.............................	-313,392	49,033

The Congress provided a ceiling on commitments of $81.7 billion which is slightly higher ($6.7 billion) than the original Budget estimate of $75 billion.

Based on anticipated mortgage and loan insurance activity under Federal Housing Administration and Department of Veterans Affairs housing programs, $74,535 million in commitments currently is estimated, which is an $8,275 million increase above the original 1990 estimate of $66,260 million.

Estimated guarantees to be issued in 1990 are being increased by $6,896 million (from $55,217 million to $62,113 million) to reflect the currently estimated FHA and VA activity.

Guarantees of Mortgage-Backed Securities

PROGRAM ACTIVITY

1. Status of Program. During 1989, the Government National Mortgage Association guaranteed securities totaling $55,374 million. Additional guarantees of mortgage-backed securities are estimated at $62,113 million in 1990 and $66,528 million in 1991.

The changes in the outstanding principal balance of securities for fiscal years 1989, 1990 and 1991 are shown in the following table:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Securities outstanding, beginning of year.........	$333,660,200	$361,755,744	$390,109,830
Issued during year.................................	55,374,090	62,112,508	66,528,316
Principal payments to security holders............	-27,278,546	-33,758,422	-39,359,150
Securities outstanding, end of year...............	361,755,744	390,109,830	417,278,996

2. Financing. Application and guarantee fees and other charges are paid by issuers of guaranteed securities to cover GNMA's issuing and claims costs under the guarantees. The Association may borrow from the Treasury to make claim payments. However, it has not had to use that authority.

Expenses reflect cost of operations including a write-down of advances and assets held in inventory (real estate owned properties, mobile home units, mortgages, and claims receivable) to the lower of cost or market value. During 1989, $183,021 thousand was written-down. Estimated write-downs for 1990 and 1991 are $234,718 thousand and $194,343 thousand, respectively.

The following table reflects the composition of program net income for 1989, 1990 and 1991:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Revenue:			
Guarantee fees................................	$221,399	$239,082	$264,664 a/
Interest......................................	149,728	140,664	156,761
Servicing.....................................	52,942	77,737	71,015
Sale of servicing rights......................	...	15,836	86,115
Application fees and other....................	37,002	33,170	33,037
Total revenue.................................	461,071	506,489	611,592 a/
Expenses:			
Operating expenses:			
Administrative and servicing.................	$38,927	$51,673	$42,469
Functional services..........................	11,724	14,069	15,054
Default expenses.............................	48,185	117,331	52,344
Other..	14,372	15,196	16,815
Non-operating expenses:			
Write-down of assets to lower of cost or market.................................	183,021	234,718	194,343
Total expenses...............................	296,229	432,987	321,025
Net income...................................	164,842	73,502	290,567 a/

a/ Reflects impact of proposal to increase fees from 6 basis points to 10 basis points.

Guarantees of Mortgage-Backed Securities

3. Acquired Property Inventory. The table below summarizes GNMA activities for the period 1989-1991:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Acquired property transactions (units):			
Acquisitions: b/			
Single family units	624 a/	2,034	2,645
Mobile homes	6,816	6,874	5,777
Total	7,440	8,908	8,422
Sales: b/			
Single family units	213 a/	1,016	2,074
Mobile homes	8,457	7,238	6,818
Total	8,670	8,254	8,892
Acquired properties on hand, end of year:			
Single family units	506 a/	1,524	2,095
Mobile homes	2,570	2,206	1,165
Total	3,076	3,730	3,260

a/ Estimate.

b/ Includes adjustments.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

MANAGEMENT AND LIQUIDATING FUNCTIONS

PROGRAM HIGHLIGHTS

Program Levels:	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Mortgage sales (gross).............	$34,101 a/	...	...	...	...
Repayments and other liquidations..	109	...	$36	$71	+$35
Mortgage portfolio, end of year....	...	...	1,770	1,699	-71
Investment portfolio, end of year..	68,801	$65,351	65,401	65,401	...
Budget Outlays.....................	-10,729	-4,597	-1,853	-4,505	-2,652
Budget Authority...................	24,103 a/	...	...	...	...

a/ Sales of $34.1 million in mortgages in 1989 resulted in proceeds of $24.9 million. Of this total, $24.1 million was from sales with recourse to the Government. This amount is treated as borrowing from the public rather than offsetting collections and is counted as budget authority.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The last remaining mortgage commitments were purchased in 1988. The remaining $34 million in mortgages were sold in 1989 leaving an investment portfolio consisting mainly of FHA debentures that were acquired through mortgage foreclosures. However, due to a court order, GNMA is required to reinstate a section 221(d)(3) mortgage that had prepaid. This reinstatement is expected to occur in 1990. GNMA does not foresee having to reinstate any additional mortgages that had either been sold or prepaid.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Actual 1989 receipts totalled $10.7 million versus the 1990 Budget estimate of $3.2 million. The $7.5 million increase was due to a higher than expected level of interest and unanticipated receipts from insurance proceeds.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The reduction in receipts in 1990 from the Budget estimate of $4.6 million to the current estimate of $1.9 million is largely due to the reinstatement of the 221(d)(3) mortgage that prepaid.

PROGRAM DESCRIPTIONS

GNMA is responsible for managing and liquidating the portfolio of mortgages acquired prior to the FNMA Charter Act of 1954, and loans or other obligations that were subsequently acquired as required by law. In 1955, the Association was given responsibility for managing and liquidating the remaining portfolio of the Reconstruction Finance Corporation Mortgage Company and the Defense Home Corporation. In 1985, all remaining assets and liabilities of the old "tandem plan" programs were transferred to the Fund.

Management and Liquidating Functions Funds

Operating Results

As of September 30, 1989, the accumulated net worth was $70.7 million. This resulted primarily from the forgiveness of $12,655 million of Treasury debt in fiscal year 1985. Accumulated net worth estimates at years end for fiscal year 1990 and fiscal year 1991 are $67.6 million per year. The net worth figures for fiscal year 1989, fiscal year 1990 and fiscal year 1991 reflect the transfers of excess funds to Treasury of $53.1 million, $5.3 million, and $4.5 million, respectively.

The following table summarizes the operating activities for the Management and Liquidating Fund for the periods covered by these estimates:

	Cumulative Through 1988	1989 Actual	1990 Estimate	1991 Estimate
		(Dollars in Thousands)		
Revenue..........................	$7,752,420	$21,864	$4,601	$4,541
Expenses.........................	-17,576,544	-9,656	-1,717	-105
Net income or loss..............	-9,824,124	12,208	2,884	4,436
Payments to Treasury............	-2,566,415	-53,100	-5,341	-4,471
Appropriations..................	80,917	...	...	...
Debt forgiveness................	12,654,955	...	...	...
Adjustments.....................	-233,769 a/	...	-600	...
Cumulative retained earnings....	111,564	70,672	67,615	67,580

a/ Represents prior year adjustments consisting of: (1) unrealized depreciation (lower of cost or market) of -$235,209 thousand on $883.6 million mortgages held at September 30, 1986 and (2) recovery of $1,440 thousand in prior year expenses.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

PARTICIPATION SALES FUND

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Budget Outlays..................	$197	...	...	...	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The last remaining trust, Federal Asset Financing Trust (FAFT), was terminated in 1988, with the pay-off of $1,965 million of outstanding certificates. After satisfying outstanding administrative obligations in 1989, the Fund was terminated.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

None.

3. CHANGES FROM 1990 BUDGET ESTIMATES

None.

PROGRAM DESCRIPTION

The Housing Act of 1964 vested fiduciary powers in GNMA to facilitate the substitution of private financing for Government-owned mortgages or other types of obligations. The program provided pooling under trust indentures of mortgages or other types of obligations of certain Government departments and agencies and the sale by GNMA, as trustee, of beneficial interest or participations in these pools. Since the Participation Sales Program began in 1965, GNMA established four trusts to administer the sales of participation certificates covering assets in fourteen funds of five Government agencies. The Small Business Obligation Trust was liquidated in 1971, the Government Mortgage Liquidation Trust was liquidated in 1981, the Federal Assets Liquidation Trust (FALT) was liquidated in 1987 and the last remaining Trust, the Federal Assets Financing Trust (FAFT) was liquidated in August 1988.

PROGRAM ACTIVITY

After satisfying outstanding administrative obligations in 1989, the Fund was terminated.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements for each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years--1989, 1990 and 1991.

BUDGET ACTIVITY 3: GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE 1991 vs 1990
	(Dollars in Thousands)				
Total Budget Activity..................	$4,247	$5,588	$5,616	$6,000	+$384
Full-Time Permanent Appointments, End of Year..........................	49	60	60	60	...
Full-Time Equivalents.................	51.0	60.0	58.8	60.0	+1.2
Staff-Years............................	52.4	61.1	59.9	61.1	+1.2

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The funding request for 1991 is $6,000 thousand, an increase of $384 thousand to the 1990 level of $5,616 thousand. A staffing level of 61.1 staff-years is proposed, an increase of 1.2 staff-years to the 1990 current estimate. The higher staffing level and related costs are consistent with program levels proposed for 1991 and represent a restoration to the 1990 staffing level enacted by the Congress prior to sequestration. The increase will enable GNMA to provide for increased oversight of the Mortgage-Backed Securities (MBS) Program.

FUNDING

The following table shows the actual obligations, by object class, for 1989 and estimated obligations for 1990 and 1991 for this activity.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Government National Mortgage Association

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE 1991 vs 1990
		(Dollars in Thousands)			
Personal Services	$2,423	$2,726	$2,908	$2,967	+$59
Travel and Transportation of Persons	45	65	48	68	+20
Transportation of Things	5	1	1	2	+1
Rent, Communications and Utilities	30	57	52	56	+4
Printing and Reproduction	48	38	51	51	...
Other Services	1,675	2,646	2,498	2,778	+280
(ADP Services)	(1,600)	(2,543)	(2,416)	(2,652)	(+236)
(Selected Contracts)	(72)	(100)	(79)	(120)	(+41)
Supplies and Materials	21	25	26	26	...
Furniture and Equipment	...	30	32	52	+20
Total	4,247	5,588	5,616	6,000	+384

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $4,247 thousand were $599 thousand less than the previous estimate of $4,846 thousand. The lower than anticipated obligations consist of a decrease of $211 thousand for personal services costs resulting from the use of 3.7 staff-years less than estimated; and a net decrease of $388 thousand for support costs, primarily in automated data processing costs due to the phasing out of the Mortgage-Backed Securities/Issuer's Monthly Audit System.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$5,588
Add revised estimate for personal services costs	+182
Less revised estimate for support costs	-154
Current 1990 estimate	5,616

The difference in staffing and funding levels from the Budget to the 1990 current estimate reflects the effect of a sequestration of $78 thousand and other repricing changes. Funding changes are as follows:

-- an increase of $182 thousand for personal services which is the net of increasing salaries and benefits costs, including the January 1990 general pay raise, offset by the 1.2 staff-year reduction as a result of the sequestration of $78 thousand; and
-- a decrease of $154 thousand for support costs on the basis of more recent cost and requirements information, principally for travel, contracts, and automated data processing services.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$4,247	$5,616
Changes to staffing level	+347	+58
Fiscal year 1990 general pay raise	+81	+20
Fiscal year 1991 general pay raise	...	+38
Fiscal year 1991 executive pay raise	...	+22
Rising average salaries and benefits costs	+57	...
Budgeted reduction in average cost per staff-year	...	-79
Changes in automated data processing costs	+816	+236
Changes in other support costs	+68	+89
Total obligations	5,616	6,000

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Government National Mortgage Association

There is an increase of $485 thousand in 1990 and a net increase of $59 thousand in 1991 for personal services. The changes reflect the following:

-- the 7.5 staff-year increase during 1990 results in a funding increase of $347 thousand (net of a reduction of $78 thousand due to sequestration), and the proposed 1.2 staff-year increase for 1991 results in a funding increase of $58 thousand;
-- the general pay raise which became effective during January 1990 is estimated to require an increment of $81 thousand during 1990 and a further increment of $20 thousand during 1991;
-- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $38 thousand shown would cover a portion of the total requirement;
-- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $22 thousand shown would cover a portion of this requirement;
-- rising average salaries and benefits costs will require an additional $57 thousand in 1990; and
-- a budgeted reduction of $79 thousand in the average cost per staff-year in 1991 reflects the requirements to absorb pay raises and other personal services increases.

Support costs increase $884 thousand in 1990 and $325 thousand in 1991. The increases result from:

-- changes in automated data processing costs reflect an increase of $816 thousand in 1990 and a further increase of $236 thousand in 1991 for development costs and associated computing costs of the Mortgage-Backed Securities systems; and
-- changes to all other non-personal services costs, such as travel, printing, supplies, and furniture and equipment, result in net increases of $68 thousand and $89 thousand in 1990 and 1991, respectively.

4. CONTRACTS

A contract for audit services is a unique requirement for this activity. Under a provision of 31 U.S.C. 9105, the General Accounting Office (GAO) is required to audit the accounts of GNMA at least once every 3 years. The GAO has recommended that GNMA obtain a yearly audit by a private auditing firm, in order to complement and reduce the labor intensity of the GAO audit efforts. Presently, GNMA has a contract with a private firm to perform the 1989 audit. The 1990 through 1994 audits will be competitively bid in 1990. Funding for the 1990 and 1991 audits are as follows:

	Actual 1989	Budget Estimate 1990	Current Estimate 1990	Estimate 1991	Increase + Decrease - 1991 vs 1990
			(Dollars in Thousands)		
Audit Services.......	$72	$100	$79	$120	+$41

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Government National Mortgage Association (GNMA) is responsible for the administration of activities associated with the Mortgage-Backed Securities (MBS) Program and the Management and Liquidating Functions Fund. The Participation Sales Fund was terminated in 1989 after satisfying outstanding administrative obligations. A brief description of GNMA's programs is given in the following material:

a. Mortgage-Backed Securities. Section 306(g) of the National Housing Act authorizes GNMA to guarantee the timely payment of principal and interest on securities which are issued by approved financial institutions and which are backed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), or Farmers Home Administration (FmHA) mortgages. Guaranteeing securities requires the examination and underwriting of applications from prospective issuer firms, the preparation and supervision of pool documents, the review of books and records bearing on the issuances of mortgage-backed securities, and the issuance of certificates to original purchasers and to secondary market assignees. Guarantees issued are estimated at $62.1 billion in 1990 and

$66.5 billion in 1991. Also, on September 30, 1989, GNMA had a combined mortgage servicing portfolio of approximately $12 billion mortgages that it has been forced to service because of issuer defaults.

b. Management and Liquidating Functions Fund. GNMA is responsible for managing and liquidating the portfolio of mortgages acquired prior to the Federal National Mortgage Association (FNMA) Charter Act of 1954 and loans or other obligations that were subsequently acquired as authorized by law. In 1955, the Association was given responsibility for managing and liquidating the remaining portfolio of the Reconstruction Finance Corporation Mortgage Company and the Defense Home Corporation. In 1985, all remaining assets and liabilities of the old "Tandem Plan" programs were transferred to the Fund. The Budget reflects the Fund managing mostly an investment portfolio of FHA debentures.

c. Work Performed Under Contract. With regard to the Mortgage-Backed Securities Program, Coopers and Lybrand performs reviews of monthly accounting reports on all securities issuances, performs periodic on-site reviews of MBS issuers, and assists in resolving default situations. Chemical Bank of New York is GNMA's registrar, transfer pool processing and central paying agent. Also, GNMA is currently under contract with approximately 25 mortgage servicers to service its outstanding $12 billion MBS servicing portfolio.

2. WORKLOAD

TYPE OF ACTIVITY BY FUNCTION	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Guarantees of Mortgage-Backed Securities			
Issued during year	$55,374,090	$62,112,508	$66,528,316
Outstanding, end of year	361,755,744	390,109,830	417,278,996
Management and Liquidation Functions			
Investment Portfolio	68,801	65,401	65,401

3. SUMMARY OF STAFFING REQUIREMENTS

All personnel for the Government National Mortgage Association are assigned to Headquarters. The summary requirements are as follows:

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-time Permanent Appointments, End of Year	49	60	60	60	...
Staff-Years	52.4	61.1	59.9	61.1	+1.2

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel	46.0	56.4	60.0
Temporary and Part-Time Employees	5.7	2.9	0.5
Overtime	0.1	0.2	0.2
Terminal Leave	0.6	0.4	0.4
Total Staff-Years	52.4	59.9	61.1

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Government National Mortgage Association

EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within GNMA and are followed by a discussion of the functions and staffing requirements for each of those organizations.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Office of the President.................	5	5	6	6	...
Office of the Executive Vice President.	10	13	14	14	...
Office of the Vice President, Asset Management............................	7	12	13	13	...
Office of the Vice President, Mortgage-Backed Securities......................	27	30	27	27	...
Total Full-Time Permanent Appointments, end of year.................	49	60	60	60	...

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Office of the President.................	4.9	5.0	5.5	6.0	+.5
Office of the Executive Vice President.	10.7	13.0	12.6	14.1	+1.5
Office of the the Vice President, Asset Management............................	7.7	12.0	11.8	13.0	+1.2
Office of the Vice President, Mortgage-Backed Securities......................	29.1	31.1	30.0	28.0	-2.0
Total Staff-Years....................	52.4	61.1	59.9	61.1	+1.2

No additional FTP positions are requested for 1991. The increase of 1.2 staff-years reflects the net impact of having a full year of staffing at the 60 position level partially offset by a decrease in the use of temporary and part-time staff.

1. Office of the President. This Office directs and supervises the activities of the Association, coordinates the activities of the various offices within the organization, and manages the administrative affairs of the Association.

2. Office of the Executive Vice President. This Office is responsible for the direction, management, and coordination of the operating programs on a day-to-day basis. It administers the fiscal, budget, accounting, and statistical activities, including development and maintenance of systems and procedures, analysis, control and preparation of statements, reports and estimates. The Office also is responsible for evaluating the effectiveness of the various programs and for controlling programs and management policies. It provides and coordinates administrative services in the areas of personnel, space planning and utilization, telecommunications, property safety, and other services for GNMA.

3. Office of the Vice President for Asset Management. The responsibilities of this Office are to administer GNMA's $12 billion MBS servicing portfolio acquired through issuer defaults and the Management and Liquidating Functions. This responsibility includes overseeing the servicing of GNMA MBS pools, selling properties and mobile home units obtained through loan foreclosures, and the sale of mortgages. This Office, through the assistance of the Treasurer, also arranges for all financing activities, manages the investment program, and is responsible for the daily cash management function of the Association.

4. Office of the Vice President for Mortgage-Backed Securities. This Office administers the review of applications for the guarantee of mortgage-backed securities, the processing and issuance of securities, and the monitoring of active issuers. The Office maintains all documentation in connection with mortgage pools and monitors the ongoing administration of outstanding securities pools.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT GOVERNMENT NATIONAL MORTGAGE ASSOCIATION DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT (PERSONAL SERVICES IN THOUSANDS)

PRESIDENT OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV PRESIDENT	1	1	1
GS/GM-15	—	1	1
GS/GM-14 AND BELOW	4	4	4
TOTAL FTPS	5	6	6
FTE WORK-YEARS	4.9	5.5	6.0
AVERAGE EMPLOYMENT	4.9	5.5	6.0
PERSONAL SERVICES	$175	$258	$269

EXECUTIVE VICE PRESIDENT

TITLE & GRADE	1989	1990	1991
ES-4 EXECUTIVE VICE PRESIDENT	1	1	1
GS/GM-15	1	2	2
GS/GM-14 AND BELOW	8	11	11
TOTAL FTPS	10	14	14
FTE WORK-YEARS	10.7	12.4	14.0
AVERAGE EMPLOYMENT	10.7	12.6	14.1
PERSONAL SERVICES	$525	$680	$739

ASSET MANAGEMENT

TITLE & GRADE	1989	1990	1991
ES-4 VICE PRESIDENT	1	1	1
GS/GM-15	1	2	2
GS/GM-14 AND BELOW	5	10	10
TOTAL FTPS	7	13	13
FTE WORK-YEARS	7.3	11.7	13.0
AVERAGE EMPLOYMENT	7.7	11.8	13.0
PERSONAL SERVICES	$350	$562	$616

MORTGAGE-BACKED SECURITIES

TITLE & GRADE	1989	1990	1991
ES-3 VICE PRESIDENT	1	1	1
GS/GM-15	3	2	2
GS/GM-14 AND BELOW	23	24	24
TOTAL FTPS	27	27	27
FTE WORK-YEARS	28.1	29.2	27.0
AVERAGE EMPLOYMENT	29.1	30.0	28.0
PERSONAL SERVICES	$1,373	$1,406	$1,343

SUMMARY GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV	1	1	1
ES-4	2	2	2
ES-3	1	1	1
GS/GM-15	5	7	7
GS/GM-14 AND BELOW	40	49	49
TOTAL FTPS	49	60	60
FTE WORK-YEARS	51.0	58.8	60.0
AVERAGE EMPLOYMENT	52.4	59.9	61.1
PERSONAL SERVICES	$2,423	$2,906	$2,967

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL NATIONAL MORTGAGE ASSOCIATION
AND
FEDERAL HOME LOAN MORTGAGE CORPORATION

The Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) are Government-sponsored private corporations. They provide assistance to the secondary home mortgage markets by supplying liquidity for mortgage investments.

While both corporations are authorized to buy mortgages insured by the Federal Housing Administration (FHA) and mortgages guaranteed by the Department of Veterans Affairs (VA), most new purchases consist of conventional fixed rate and adjustable rate mortgages. Virtually all new FHA insured and VA guaranteed mortgages are packaged into GNMA guaranteed pools of mortgage-backed securities. Conventional mortgages are not insured or guaranteed by the Federal Government. The corporations require that the low downpayment conventional loans they purchase be insured by a private mortgage insurer. These corporations also issue mortgage-backed securities for conventional loans and guarantee the timely payment of principal and interest to security holders.

When the FNMA Charter Act was enacted in 1954, Congress contemplated that FNMA's secondary market operations would ultimately be completely owned and financed by private investors. The Housing and Urban Development Act of 1968 separated FNMA from HUD. FNMA was converted to a Government-sponsored, privately owned corporation whose expenditures and receipts are not reflected in the Federal Budget. The same Act also created GNMA as a Government corporation within HUD to conduct Special Assistance and Management and Liquidating functions in lieu of FNMA. In 1989, Congress passed the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) which provides the Secretary with authority over FHLMC that is essentially the same as his authority over FNMA.

AUTHORITY OF THE SECRETARY

Under the statutes now governing FNMA and FHLMC, the Secretary of Housing and Urban Development retains general regulatory power over the activities of both corporations and requires Secretarial approval of:

-- new (unapproved) conventional mortgage programs;
-- FNMA's and FHLMC's debt-to-capital ratio ceiling; and
-- "a fair rate of return"--constituting the ceiling for the amount of cash dividends annually paid by FNMA or FHLMC.

The Secretary of HUD must respond to requests for program approval within 45 days of FNMA's or FHLMC's submission of a program proposal. A 15-day extension is permitted upon request of additional information by the Secretary. If the Secretary fails to respond in the time given, he must transmit to Congress a report explaining why the request has not been approved. If the Secretary fails to transmit the report, FNMA or FHLMC may proceed as if the request had been approved.

HUD is required to submit annual reports to Congress on FNMA and FHLMC operations. The Secretary may require that a reasonable portion of FNMA and FHLMC's mortgage purchases be related to the national goal of providing adequate housing for low- and moderate-income families.

MORTGAGE MARKET SUPPORT

FNMA and FHLMC serve the housing and home finance industries by providing liquidity to primary lenders through their mortgage purchase and mortgage-backed securities programs. Both finance their purchases of mortgages from portfolio mortgage loan repayments and the proceeds of debt obligations and mortgage-backed securities sold in the capital markets.

Federal National Mortgage Association and Federal Home Loan Mortgage Corporation

UNIQUE CHARACTERISTICS OF THE CORPORATIONS

The common stock of FNMA and FHLMC is owned by the public, is freely transferable on the books of FNMA and FHLMC and is listed on major stock exchanges. However, the following characteristics of FNMA and FHLMC distinguish them from traditional privately owned corporations:

1. Five of the eighteen members of the Board of Directors are appointed by the President of the United States;
2. Their securities are exempt from SEC registration;
3. Their obligations are perceived by the market as being "Federal Agency" debt, which usually permits their issuance at favorable interest rates;
4. They do not have to qualify under local laws to do business in States;
5. They are exempt from State and local taxes other than real property taxes;
6. They each have $2.25 billion of Treasury standby credit;
7. Their securities are legal investments for federally supervised institutions; and
8. Federal Reserve Banks may act as fiscal agents.

ADMINISTRATION-PROPOSED LEGISLATION

As a result of the "quasi-Government" status, FNMA and FHLMC enjoy certain privileges that give them a competitive edge against their private counterparts. Financial markets continue to treat their securities more as if they were issued or backed by the U.S. Treasury, rather than as issues of private corporations. The Administration is proposing to eliminate these special advantages through new security fees thereby increasing opportunities for totally private firms.

For new debt securities, the annual fees would start at 10 basis points in 1991, and increase to 20 basis points in 1992, and 30 basis points in 1993 and beyond. For new mortgage-backed securities, the fees would start at 5 basis points in 1991, and increase to 10 basis points in 1992, and 15 basis points in 1993 and beyond.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

COMMUNITY DEVELOPMENT GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Block Grants (Title I):					
Program Level:					
Obligations	$2,905,601	$2,842,000	$3,027,439	$2,758,265	-$269,174
Appropriations:					
Enacted or proposed	2,650,000	2,744,000	2,950,000	2,756,000	-194,000
Approp. Act reduction (Sec. 517)	...	...	-46,500	...	+46,500
Sequestration	...	...	-38,436	...	+38,436
Enacted transfers from:					
Rehabilitation Loan Fund	200,000 a/	86,000	...	...	...
Flexible Subsidy Fund	150,000 a/	...	...	...	...
Urban Development Action Grants	...	50,000	50,000	...	-50,000
Proposed transfer to:					
Research and Technology	...	...	...	-3,735	-3,735
Total Available	3,000,000	2,880,000	2,915,064	2,752,265	-162,799
Budget Outlays	2,945,611	3,103,062	3,050,000	3,105,000	+55,000
CDBG Loan Guarantees (Section 108):					
FFB Direct Loans:					
Budget Outlays	-32,115	-55,000	-55,000	-59,000	-4,000
Private Financing:					
Guarantee Commitments	122,970	...	144,000	...	-144,000
Approp. Act reduction (Sec. 517)	...	...	-2,232	...	+2,232
Total	122,970	...	141,768	...	-141,768

a/ Transfers of unobligated balances prior to 1990 are not counted as Budget Authority.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1991 Budget proposes an appropriation of $2,756 million for the Community Development Block Grant (CDBG) program. This amount includes $3.7 million proposed for transfer to Research and Technology to support increased evaluation and monitoring of HUD programs. Authorizing legislation will be required to support the 1991 CDBG appropriation request.

The Budget does not propose any additional Section 108 Loan Guarantee commitments for 1991, consistent with the Administration's effort to reduce the Federal influence on private financial loan markets. Legislation is being proposed to repeal Section 108.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Actual 1989 block grant obligations ($2,906 million) were $82 million less than the estimate ($2,988 million) primarily because more entitlement fund allocations were carried over for obligation into 1990 than had been anticipated. The 1989 program level was partially dependent on the projected transfer of $200 million of unobligated funds from the Rehabilitation Loan Fund (Section 312), to become available through loan repayments as well as carryover balances from 1988. Because the transfer of these funds could not be completed until actual loan repayments were received and recorded, some CDBG entitlement allocations could not be made until later in the fiscal year than would normally be the case.

Community Development Grants

Actual outlays ($2,946 million) were less than the estimate ($3,06[illegible] million) because of a slower than expected drawdown rate by recipients.

The amount of actual Section 108 loan guarantees ($123 million) was 85.4 percent of the available limitation ($144 million). Commitments were down from the previous year's activity reflecting the uncertainty about the program continuing. This uncertainty may have resulted in some applications being delayed or not being submitted. Applications not acted upon in 1989 may be carried over for consideration in 1990.

Actual Section 108 net receipts ($32 million) were less than the estimated $44 million in net receipts because repayments were less than projected. Since repayment terms often are revised for the Section 108 FFB direct loans, actual repayments frequently will differ from the estimates.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget (as amended) proposed a CDBG appropriation of $2,744 million and transfers of $86 million from the Section 312 program and $50 million from the Urban Development Action Grants (UDAG) program. Instead, Congress enacted a direct appropriation (Budget Authority) of $2,950 million and the $50 million UDAG transfer but did not approve the $86 million Section 312 transfer. At the same time, Section 517 of the 1990 Appropriations Act reduced 1990 funding by $46.5 million of which $45.7 million was to be taken from appropriated funds and $775 thousand from the transferred UDAG funds. The net result was a $35 million higher funding level being enacted than requested. (Note: Based on OMB "scorekeeping" rules applicable when the 1990 Budget was submitted, the proposed transfers from the Section 312 and UDAG programs were not counted as Budget Authority. However, under new OMB rules, transfers of unobligated balances will be counted as Budget Authority in 1990.)

Also, the Budget proposed two new initiatives, within the Secretary's Discretionary Fund, of $44 million to promote homeownership opportunities for lower-income persons and $50 million for a "Comprehensive Service and Shelter Program for the Homeless". Congress did not enact either of these proposals.

The 1990 Budget estimated that obligations would be $2,886 million. Obligations are currently estimated to be $3,027 million which is $141 million more than the Budget estimate. This is due to the increased funding provided for this program in 1990 over the amount requested in the 1990 Budget, as well as the larger than expected unobligated balance carried over from 1989 to 1990.

The 1990 Budget estimated Block Grant outlays at $3,103 million. Outlays are currently estimated at $3,050 million which is $53 million less than the Budget estimate, reflecting the reduced obligations in 1989 as well as the slower expenditure rate experienced in 1989.

The 1990 Budget proposed to terminate the Section 108 Loan Guarantee program. However, the Congress continued the program for fiscal year 1990 at a $142 million commitment level.

EXPLANATION OF INCREASES AND DECREASES

The decrease of $269 million in obligations for 1991 reflects both the reduction in the appropriation for 1991 and the availability of the additional carryover balances from fiscal year 1989 for obligation in fiscal year 1990. The reduced appropriation request for 1991 will be applied to all funding categories and funding of technical assistance under Section 107 will be eliminated.

An increase of $55 million in outlays for 1991 primarily reflects the additional resources available for obligation in 1990 which impact 1991 outlays.

No activity is shown for new commitments for the Section 108 Loan Guarantee program which reflects the proposed termination of the program at the end of fiscal year 1990.

PROGRAM DESCRIPTION

1. Program Purpose. Title I of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to make grants to units of general local government and States for the funding of local community development programs. The program's overall objective is to provide

decent housing and a suitable living environment and expand economic opportunities, principally for persons of low- and moderate-income. This objective is achieved by limiting activities to those which carry out one of the following three broad national objectives: (1) benefit low- and moderate-income persons, (2) aid in the prevention or elimination of slums or blight, or (3) meet other particular urgent community development needs. States and entitlement communities are required to use at least 60 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income persons. Beginning with fiscal year 1991, the Department is proposing legislation to better target CDBG funds to low- and moderate-income persons. The proposal would increase the overall low- and moderate income benefit requirement to 75 percent, require proportionate accounting in order to end the distortion of reported benefits, and require that 100 percent of activities in affluent communities address the low- and moderate income benefit objective. Also, the Department is proposing legislation to require entitlement grantees and States to have a strategy for fighting poverty.

The program is based on the principle that recipients have the responsibility for selecting eligible activities most appropriate to their local circumstances. In addition, instead of competing for categorical project dollars each year, the entitlement communities and States have a basic grant allocation so they know in advance the approximate amount of Federal funds they will receive annually.

2. Eligible Recipients and Activities

a. Eligible Recipients. These include States, any unit of general local government (city, county, town, township, parish, village or other general purpose political subdivision as determined to be eligible for assistance by the Secretary), the District of Columbia, Guam, Virgin Islands, American Samoa, Puerto Rico, the Commonwealth of the Northern Marianas, the Trust Territory of the Pacific Islands, and Indian Tribes.

b. Eligible Activities. Section 105 of the Housing and Community Development Act of 1974, as amended, permits a number of activities to be undertaken by communities assisted under the program, ranging from the provision of public facilities or services to economic development or residential rehabilitation and, in some cases, substantial reconstruction of housing. The Department also is proposing legislation to allow new construction of housing as an eligible activity for block grant funding. This proposal will give States and localities maximum flexibility to address their community development needs.

3. Fund Distribution. After deducting designated amounts for the Special Purpose Grants and statutory set-asides, the balance of the funds appropriated is distributed 70 percent to entitlement communities (including Indian Tribes beginning in 1991) and 30 percent to States for their nonentitlement communities (small cities).

The table on the following page shows the actual 1989 distribution of funds as of September 30, 1989, and the currently projected distribution of funds for 1990 and 1991 by recipient category.

Community Development Grants

	DISTRIBUTION OF APPROPRIATIONS		
CATEGORY	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
ENTITLEMENT:			
Cities and Counties	$2,053,100	$1,972,254	$1,885,936
Indian Tribes	[27,000] b/	[26,236] b/	27,000 b/
Subtotal Entitlement	2,053,100	1,972,254	1,912,936
NONENTITLEMENT (STATES AND SMALL CITIES)	879,900	845,252	819,829
SUBTOTAL	2,933,000	2,817,506	2,732,765
SPECIAL PURPOSE GRANTS (SECTION 107) a/	60,000	90,756	14,500
NEIGHBORHOOD DEVELOPMENT DEMONSTRATION	2,000	1,943	...
CHILD CARE DEMONSTRATION	5,000	4,859	5,000
TOTAL	3,000,000	2,915,064	2,752,265

a/ The HUD Reform Act of 1989 (P.L. 101-235) redesignated Section 107 as "Special Purpose Grants," replacing the former Secretary's Discretionary Fund, beginning in 1990.

b/ Indian Tribes were funded under the Secretary's Discretionary Fund in 1989. Additional legislation is required in order to fund them under Special Purpose Grants in 1990. Indian Tribes will be eligible for entitlement grants beginning in 1991.

4. Explanation of Funds Allocated by Recipient Category. The table below shows the number of recipients by category and the amount allocated to each category in fiscal years 1989, 1990, and 1991.

	FY 1989		FY 1990		FY 1991	
	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
	(Dollars in Millions)					
Formula Entitlements:						
Metropolitan Cities	737	$1,663	741	$1,592	741	$1,523
Urban Counties	121	390	125	380	125	363
Indian Tribes	NA	[27] a/	NA	[26] a/	95	27
Subtotal	858	2,053	866	1,972	961	1,913
Nonentitlement (States and Small Cities)	151	880	151	845	51 b/	820
Special Purpose Grants (Section 107)	207	60 a/	244	91 a/	68	14
Neighborhood Development Demonstration	43	2	42	2	...	...
Child Care Demonstration	NA	5	NA	5	...	5
Total	1,259	3,000	1,303	2,915	1,080	2,752

a/ Indian Tribes are funded under Section 107 in 1989 and 1990.

b/ Assumes the enactment of proposed legislation to mandate State administration of the CDBG Small Cities program.

a. Formula Entitlements. The HCD Act of 1974, as amended, provides for the distribution of funds to eligible recipients (metropolitan cities and urban counties) for community purposes utilizing the higher of two formulas, as shown on the following page:

Community Development Grants

ORIGINAL FORMULA	SECOND FORMULA
Poverty - 50 percent	Poverty - 30 percent
Population - 25 percent	Population growth lag (1960-1986) - 20 percent
Overcrowded housing - 25 percent	Age of housing stock - 50 percent

"Age of housing stock" means the number of existing year-round housing units constructed before 1940, based on Census data.

"Population growth lag" means the extent to which the current population of a metropolitan city or urban county is less than the population it would have had if its population growth rate between 1960 and the date of the most recent population count had been equal to the growth rate of all metropolitan cities over the same period.

-- Metropolitan Cities. Cities in Metropolitan Statistical Areas (MSAs) with a population of 50,000 and over and central cities of MSAs are entitled to funding on the basis of one of the formulas. A total of 737 metropolitan cities were eligible to receive grants from 1989 funds. Of these, 12 elected to enter into joint grant agreements with their urban counties, 716 were awarded grants, and 9 did not make the necessary submissions.

-- Urban Counties. The legislation also entitles urban counties to formula grants. Of counties meeting the required population threshold, 121 counties were funded in 1989. These urban counties included over 2,500 cooperating local incorporated units receiving funding under the program. A test for designation as an urban county requires that the county must be authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas which are not units of general local government.

The urban county must have authority to perform such functions in its participating incorporated communities either under State law or through cooperative agreements. These agreements must express the intention of the urban county and its incorporated jurisdictions to cooperate in essential community development and housing assistance activities, specifically urban renewal and publicly assisted housing. Participation by any included unit of government is voluntary, but the decision to participate or not is generally binding for 3 years.

-- Indian Tribes. Pursuant to the HUD Reform Act of 1989 (P.L. 101-235), Indian Tribes will be funded from the entitlement funding category beginning in 1991. Up to one percent of the total CDBG appropriation will be set aside as part of the entitlement allocation for awards to the tribes on a competitive basis. In 1991, it is estimated that 95 tribes will be funded from the $27 million.

b. Nonentitlement (States and Small Cities Program). Nonentitlement funds are allocated among the States according to a dual formula, with the allocation being the higher of amounts determined under the original formula or a second formula which is identical to that used for entitlement communities except that population is substituted for growth lag.

Presently, States have the option of administering the program and awarding grants to nonentitled units of government. Where the State does not so elect, HUD distributes the funds. However, under the Housing and Community Development Act of 1974, as amended, any State that elects to administer the Small Cities program in fiscal year 1985, or thereafter, shall be considered to have assumed this responsibility permanently, and, if it fails to provide an annual submission, funds will be reallocated among all States in the succeeding year. In 1991, the Department is proposing legislation to mandate State administration of the CDBG Small Cities program for all States. Only two States (New York and Hawaii) have not elected to administer the program.

c. Special Purpose Grants. The HUD Reform Act of 1989 (P.L. 101-235) redesignated Section 107 as "Special Purpose Grants," replacing the former Secretary's Discretionary Fund, beginning in 1990. Special Purpose Grants consist of five program categories providing assistance for: Community development for insular areas; Historically Black Colleges; Work Study; funding to States and units of general local government to correct any miscalculation of their share of funds under section 106; and technical assistance in planning, developing and administering programs under Title I. No funding is proposed for this latter category in 1991. In 1990, the Department also projects reimbursements of $1 million from other Federal Agencies for joint projects in support of the CDBG program. The table on the following page shows the distribution of the Special Purpose Grants for 1989, 1990, and 1991. Amounts shown by categories in 1990 and 1991 are strictly estimates and may vary during the year.

Community Development Grants

	DISTRIBUTION OF APPROPRIATIONS		
	1989	1990	1991
	(Dollars in Thousands)		
Insular Areas	$7,000	$6,802	$7,000
Indians	27,000	26,236	NA
Technical Assistance	10,750	25,214 b/	...
Work Study Program	3,000	2,916	3,000
Special Projects	12,250	29,588 b/	NA
Historically Black Colleges	[1,500] a/	[3,000] a/	4,500
Total	60,000	90,756	14,500

a/ Funding for this category included under Technical Assistance in 1989 and 1990.

b/ Consistent with amounts in the 1990 Appropriations Act and amounts in the Conference Report which were for specific projects. The Department is considering options with regard to this funding.

The Department continually reviews and analyzes Special Purpose Grant activities to best determine the needs, management capacities and performance of program constituencies. This information is used in the management and allocation of Special Purpose Grants. The Budget proposes funding assistance for activities only under the following project categories in 1991:

-- Insular Areas. Special Purpose Grants are the source of funding for community development activities in the Insular Areas. Insular Areas funded include: the Virgin Islands, American Samoa, Guam, the Commonwealth of the Northern Marianas, and the Trust Territory of the Pacific. Typical types of projects include:

- -- construction or reconstruction of public works and facilities,
- -- housing rehabilitation,
- -- economic development, and
- -- public services.

-- Work Study. The primary objective of the Work Study Program is to train a cadre of well qualified minority and/or economically disadvantaged professionals to plan, implement and administer State and local community development programs. The Work Study Program provides assistance to qualified minority and/or economically disadvantaged students participating in community development work study programs and who are enrolled in full-time graduate or undergraduate programs in community and economic development, community planning, or community management.

-- Historically Black Colleges. Funding under this category is specifically authorized under the HUD Reform Act of 1989. The proposed 1991 funding level is $4.5 million. The program consists of cooperative agreement awards which are made on a competitive basis. The objective of this program is to transfer skills and knowledge in planning and administering the Community Development Block Grant (CDBG) program from those individuals and institutions which possess them to eligible block grant entities and affiliated CDBG participants which need them. The technical assistance providers assist cities in developing economic development projects, assist cities in preparing CDBG applications, provide on-site technical assistance to improve the management effectiveness of the CDBG programs, and conduct workshops to assist local governments to utilize their CDBG program funds more effectively. Beginning in 1991, the program will expand its emphasis on economic development projects. This program is in support of Executive Order 12677 issued on April 28, 1989, which directs all Federal Agencies to increase the participation of Historically Black Colleges and Universities in Federal programs. The competition for cooperative agreement awards is limited to Historically Black Colleges and Universities.

d. Demonstration Programs. In 1991, the Department is not requesting additional funds for the Neighborhood Development Demonstration. The objective of the Demonstration, which is authorized by Section 123 of the Housing and Urban-Rural Recovery Act (HURRA) of 1983, as amended, was to determine the feasibility of supporting neighborhood development activities by providing matching funds to eligible organizations. There have been three funding rounds through 1989 for a total of $7 million. The majority of the 149 projects funded thus far involved housing activities, followed by "essential services," neighborhood public improvements, business development, and job creation. An additional $1.9 million appropriation is available for use in 1990. The Assistant Secretary for

Community Planning and Development administers the Demonstration.

The Department initiated a Public Housing Child Care Demonstration in 1988. The Demonstration is funded with set-asides of $5 million from the Community Development Grants appropriations in 1988 and 1989, and $4.9 million in 1990. An additional $5 million is requested to continue this Demonstration in 1991. Section 222 of HURRA, as amended, requires HUD to establish a demonstration providing grants to nonprofit organizations to provide child care services for lower-income families in public housing projects. The Demonstration is intended to determine whether or not the availability of child care services facilitates employment for parents or guardians of children living in public housing. Section 222 requires that the Department prepare and submit a report evaluating this Demonstration. The report is due to the Congress in February 1991. The Department has approved 57 grants to nonprofit groups in 1988 and approved funding for 49 additional groups in January 1990. Additional grants will be awarded from funds provided in the 1990 appropriation. The Assistant Secretary for Public and Indian Housing is responsible for the Child Care Demonstration.

5. Reallocation of Entitlement Funds. Under existing law, any amounts allocated to a metropolitan city or county in a fiscal year, which become available for reallocation, are to be reallocated in the succeeding fiscal year generally to other metropolitan cities and urban counties in the same Metropolitan Statistical Area (MSA). These communities must follow a simple certification process to qualify for receipt of these funds.

6. Reallocation of Nonentitlement Funds. Existing law requires that amounts allocated for use in a State in a fiscal year which become available for reallocation must be reallocated according to the following criteria:

- in the case of actions against small cities, amounts that become available for reallocation are to be added to amounts available for distribution in the State in the fiscal year in which the amounts become available; or
- in the case of actions against the State, these amounts will be allocated among all States in the succeeding fiscal year.

7. Loan Guarantee Authority. Section 108 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to issue Federal loan guarantees of private market loans used by local governments to cover the costs of acquiring real property, rehabilitating real property owned by the units of general local government, housing rehabilitation and certain economic development activities.

A total of 48 loan guarantee commitments amounting to $123.0 million were issued in 1989. For fiscal year 1990, Congress enacted a $141.8 million limitation on the amount of loan guarantee commitments to be approved during the year. This commitment level would support an estimated 52 projects. No new loan guarantee authority is requested for 1991.

8. Grant Statement Requirements and Review. Before entitlement funds are awarded, a grantee must submit a statement of community development objectives and projected use of funds, together with certifications. For metropolitan cities and urban counties, the statement of projected use of funds is to consist of proposed community development activities. In addition, the statement must include an identification of estimated amounts that will be used for activities that benefit low- and moderate-income persons. Entitlement cities and counties must also submit for HUD approval a housing assistance plan (HAP), and must certify that they are following it.

For States, the statement is to consist of the State's community development objectives and the method by which the State intends to distribute funds to units of general local government.

Unlike application requirements that were in effect prior to 1982, statements submitted by entitlement communities and States are not subject to HUD approval. However, statements submitted by communities under the HUD-administered Small Cities program are subject to a competitive review and selection process. As indicated, however, legislation will be proposed to eliminate the HUD-administered Small Cities program in 1991 and to mandate State administration of the program.

9. Performance Review. Grantees are required to submit performance reports to HUD concerning the uses of their block grant funds. HUD is required to review grantees' performance, at least annually, to determine whether they have carried out their activities, and where applicable their HAP, in a timely manner and met program requirements and complied with all applicable laws. In the case of States, HUD must review the State to determine if it conducted appropriate reviews of the

local governments awarded grants by the State. HUD is authorized to adjust the amount of annual entitlement grants according to review findings. For nonentitlement grants, HUD may adjust, reduce, or withdraw such funds, or take other action as appropriate according to review findings. In the absence of a detailed application, the importance of the annual report and monitoring is increased substantially, particularly for entitlement and State grantees, and the HUD-administered Small Cities program. Even though HUD proposes legislation mandating State administration, HUD will continue to receive performance reports from the remaining active grants.

PUBLIC/PRIVATE PARTNERSHIPS

Block Grant recipients are increasing their use of CDBG in combination with other local public and private resources and becoming public entrepreneurs. Not only do these grants promote a considerable amount of local fiscal leveraging of additional funding, but also the partnerships that result from these efforts tend to establish long term cooperative local arrangements which can be used to address a variety of local community and economic development issues.

HUD continues to encourage its CDBG recipients to establish long lasting, practical, local public/private partnerships. The importance of the public/private partnership concept has not diminished. American State and city leadership with the help of block grant funding has revolutionized the dynamics of management, particularly as it links with the private sector. Leveraging of private resources with CDBG funds is essential in this period of reduced Federal dollars.

STATUS OF FUNDS

1. Authorization. Authorizing legislation will be required to fund the 1991 appropriation request. The legislation proposes enactment of a 3-year reauthorization for the CDBG program beginning in 1991.

2. Status of Funds

a. Unobligated balances. The following table compares program obligations with funds available for distribution by year:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Unobligated balance, start of year	$110,204	$206,375	$100,000
Appropriation	2,650,000	2,915,064	2,752,265
Unobligated balances transferred from:			
Section 312 Rehabilitation Loan Fund	200,000	...	...
Flexible Subsidy Fund	150,000	...	...
Urban Development Action Grants	...	[49,225] a/	...
Recaptures	2,442	6,000	6,000
Total Available	3,112,646	3,127,439	2,858,265
Obligations, gross (excluding reimbursements)	-2,905,601	-3,027,439	-2,758,265
Lapsed	-670	...	...
Unobligated balance, end of year	206,375	100,000	100,000

a/ This amount is included as part of the 1990 appropriation of $2,915,064 thousand and is net of a $775 thousand reduction pursuant to Section 517 of the 1990 Appropriations Act.

The 1990 Budget assumed that there would be $100 million in unobligated funds as of September 30, 1989. However, the actual unobligated amount was $206.4 million. The composition of the unobligated balance, at the end of 1989, is as shown in the table on the following page:

Community Development Grants

	AMOUNT (Dollars in Millions)
ENTITLEMENT	$150.5
NONENTITLEMENT (STATES AND SMALL CITIES)	20.2
SECRETARY'S DISCRETIONARY FUND	30.5
NEIGHBORHOOD DEVELOPMENT DEMONSTRATION	.0
CHILD CARE DEMONSTRATION	5.2
TOTAL	206.4

h. Obligated Balances. The status of obligated balances is shown in the following table:-

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Obligated balance, start of year	$5,395,418	$5,349,554	$5,320,993
Obligations, gross (excluding reimbursements)	2,905,601	3,027,439	2,758,265
Subtotal	8,301,019	8,376,993	8,079,258
Outlays	-2,945,611	-3,050,000	-3,105,000
Adjustment in unexpired accounts	-2,442	-6,000	-6,000
Adjustment in expired accounts	-3,413	...	...
Obligated balance, end of year	5,349,554	5,320,993	4,968,258

The composition of the obligated balance, by year of appropriation, at the end of 1989 is as follows:

APPROPRIATION YEAR	AMOUNT (Dollars in Thousands)	PERCENT
1989	$2,703,451	50.5
1988	1,715,890	32.1
1987	595,467	11.1
1986	179,601	3.4
1985	78,107	1.5
1975 - 1984	77,038	1.4
TOTAL	5,349,554	100.0

As of September 30, 1989, the majority of the 1989 funds had been obligated less than 6 months and the majority of the 1988 funds had been obligated for slightly more than 1 year. The following table reflects the status of obligated balances, by year of appropriation, as of December 31, 1989. None of the 1990 appropriation had been obligated as of December 31, 1989.

APPROPRIATION YEAR	AMOUNT (Dollars in Thousands)	PERCENT
1990	...	...
1989	$2,651,570	56.6
1988	1,325,289	28.3
1987	427,439	9.1
1986	138,590	3.0
1975 - 1985	142,323	3.0
TOTAL	4,685,211	100.0

By September 30, 1990, HUD expects that the $5.4 billion obligated balance on hand at the end of 1989 will have been reduced by approximately $3 billion (excluding the effect of the 1990 appropriation) and most of the remainder will have been obligated for slightly more than one year.

A total of 82.6 percent of the unexpended obligations, as of September 30, 1989, is comprised of the 1988 and 1989 appropriations.

Community Development Grants

BUDGET OUTLAYS

The basic disbursement method used in the block grant program is the letter-of-credit. Under this system of disbursement, the recipient receives funds as they are needed for community development purposes. The Department implemented the electronic transfer of funds system, under the State Small Cities program, in fiscal year 1983. This system benefits grantees by reducing the amount of time between the request and receipt of funds. The system also has been designed to allow HUD to review every drawdown request prior to transfer of funds to the grantee. This improves the Department's overall ability to monitor grantees' drawdown of funds, while improving the total efficiency of the process.

Budget outlays are estimated at $3,050 million in fiscal year 1990 and $3,105 million in fiscal year 1991. However, actual outlays will be governed by the rate communities expend funds which have been made available.

Fiscal year 1991 Appropriation Act language is also proposed to continue the prohibition, enacted in the 1990 Appropriations Act, on the use of CDBG appropriations to establish or supplement local revolving funds to finance housing rehabilitation. Such revolving funds are otherwise authorized by Section 104(h) of the Housing and Community Development Act of 1974, as amended.

DISTRIBUTION OF FUNDS BY STATE

The following table shows allocations of the 1989 and 1990 appropriations for Community Development Grants by State. The 1991 amounts represent preliminary estimates which may change when final allocations are developed.

DISTRIBUTION OF COMMUNITY DEVELOPMENT GRANTS BY STATES AND TERRITORIES

STATE AND TERRITORY	ACTUAL 1989	ACTUAL 1990 (Dollars in Thousands)	ESTIMATE 1991
Alabama	$47,021	$45,114	$43,477
Alaska	3,193	3,022	2,911
Arizona	28,442	27,629	26,497
Arkansas	24,496	23,565	22,774
California	299,418	288,436	276,100
Colorado	25,920	25,178	24,181
Connecticut	34,207	32,962	31,641
Delaware	6,408	6,136	5,887
District of Columbia	16,454	15,795	15,104
Florida	118,317	114,942	110,156
Georgia	61,289	59,228	57,061
Hawaii	13,595	13,041	12,501
Idaho	7,362	7,081	6,858
Illinois	158,170	152,037	145,763
Indiana	57,955	55,499	53,404
Iowa	33,603	32,342	31,214
Kansas	23,081	22,215	21,431
Kentucky	42,662	40,926	39,472
Louisiana	55,811	53,721	51,682
Maine	14,205	13,700	13,232
Maryland	47,328	45,277	43,390
Massachusetts	88,884	85,109	81,707
Michigan	117,469	113,138	108,557
Minnesota	47,688	46,042	44,269
Mississippi	32,378	31,136	30,138
Missouri	62,236	59,935	57,593
Montana	6,812	6,509	6,295
Nebraska	15,813	15,181	14,655
Nevada	7,382	7,223	6,924
New Hampshire	9,104	8,814	8,508
New Jersey	95,153	91,737	87,819
New Mexico	13,504	12,997	12,539

Community Development Grants

STATE AND TERRITORY	ACTUAL 1989	ACTUAL 1990 (Dollars in Thousands)	ESTIMATE 1991
New York	$310,143	$295,828	$283,347
North Carolina	53,938	51,994	50,219
North Dakota	5,938	5,688	5,501
Ohio	138,035	132,167	126,877
Oklahoma	24,966	23,824	22,965
Oregon	23,917	22,287	21,431
Pennsylvania	190,641	182,501	175,023
Rhode Island	14,231	13,566	13,020
South Carolina	32,614	31,365	30,303
South Dakota	7,207	6,943	6,719
Tennessee	47,498	45,636	43,949
Texas	176,143	168,821	162,100
Utah	15,680	15,164	14,561
Vermont	5,653	5,496	5,321
Virginia	48,331	46,988	45,187
Washington	42,192	40,178	38,536
West Virginia	21,736	20,951	20,231
Wisconsin	52,956	50,854	48,919
Wyoming	3,063	2,989	2,889
Puerto Rico	102,758	98,599	94,927
TOTAL	2,933,000	2,817,506	2,705,765
Indian Grants	27,000	26,236	27,000
Special Purpose Grants	33,000	64,520	14,500
Neighborhood Development Demo	2,000	1,943	...
Child Care Demo	5,000	4,859	5,000
GRAND TOTAL	3,000,000	2,915,064	2,752,265

DISTRIBUTION OF PROGRAM OBLIGATIONS

The following table shows the distribution of program obligations by funding category in 1989, 1990, and 1991.

	ACTUAL 1989	ESTIMATE 1990 (Dollars in Thousands)	ESTIMATE 1991
ENTITLEMENT:			
Metropolitan Cities and Urban Counties	$1,954,142	$2,062,706	$1,880,936
Indian Tribes	[27,118] a/	[26,363] a/	27,000
Subtotal	1,954,142	2,062,706	1,907,936
NONENTITLEMENT (STATES AND SMALL CITIES)	884,028	845,411	814,829
SPECIAL PURPOSE GRANTS (Section 107)	59,694	101,294	24,500
NEIGHBORHOOD DEVELOPMENT DEMONSTRATION	2,895	2,011	...
CHILD CARE DEMONSTRATION	4,842	10,017	5,000
RECAPTURES	[2,442] b/	6,000 b/	6,000 b/
TOTAL (GROSS)	2,905,601	3,027,439	2,758,265

a/ Indian Tribes were funded under Section 107 in 1989 and 1990.

b/ The actual 1989 distribution of obligations by category includes the use of funds recaptured in 1989. However, an estimate of the future reuse of recaptured funds by category has not been made for fiscal years 1990 and 1991.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

URBAN DEVELOPMENT ACTION GRANTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
PROGRAM HIGHLIGHTS					
Program Levels:					
Grant Announcements (Gross):					
Number	85	...	...	...	...
Amount	$97,361	...	...	...	...
Grant Obligations:					
Number	49	...	63	...	-63
Amount	$77,806	...	$70,092	...	-$70,092
Appropriations (Budget Authority):					
Enacted transfers to:					
Salaries and Expenses, HUD	[-3,490]a/b/	...	...	...	...
Emergency Food and Shelter Program (FEMA)	[-12,000]a/b/	...	...	...	...
Community Development Block Grants	...	...	-50,000 a/	...	+50,000
Proposed transfer to:					
Urban Homesteading	...	...	-11,450 a/	...	+11,450
Proposed Rescission	...	...	...	-$10,000	-10,000
Total	...	...	-61,450	-10,000	+51,450
Recovery of prior year obligations	123,873	50,000	50,000	10,000	-40,000
Budget Outlays	242,035	265,000 c/	225,000	198,000	-27,000

a/ The transfer amounts shown in the 1990 column are counted as negative budget authority under new OMB "scorekeeping" rules. Unobligated balances transferred prior to 1990 do not offset budget authority.

b/ Pursuant to the Dire Emergency Supplemental Appropriations Act of 1989 (P.L. 101-45).

c/ Original Budget estimate was $252.5 million, based upon a proposed rescission of 1989 UDAG funds. The April 1989 revised Budget withdrew the rescission and increased 1990 estimated outlays accordingly.

1. SUMMARY OF BUDGET REQUEST

The Budget reflects termination of the Urban Development Action Grant program at the end of fiscal year 1990. Communities, at their discretion, may continue to use their Community Development Block Grant funds to leverage private investment in economic development projects. The Budget also proposes rescinding an estimated $10 million of recaptured funds from prior obligations in 1991.

Pursuant to HUD's 1990 Appropriations Act (P.L. 101-144), an estimated $50 million of recaptured funds from prior year obligations will be transferred to the Community Development Block Grant program in 1990. In addition, the Budget proposes a 1990 transfer of an estimated $11.4 million of uncommitted balances for use in the Urban Homesteading program.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN THE 1990 BUDGET

Actual announcements and actual obligations reflect continuing the program. The 1990 Budget had proposed a rescission of available balances in 1989 and no additional announcements after 1988. However, the rescission was withdrawn. Two funding rounds were held in 1989, a large city and a small city round.

Urban Development Action Grants

Actual outlays ($242 million) were less than the estimate ($310 million) because cities continued to draw down their funds at a slower rate than in prior years. Additionally, the significant increase in grant terminations and reductions ($123.9 million actual vs $50 million estimate) reduced outlays. Funds recaptured from those grants which were funded from the 1986, 1987, and 1988 appropriations were used to fund 1989 grants, outlays from which will now occur in future years.

3. CHANGES FROM 1990 BUDGET ESTIMATES

Grant obligations are expected to be $70.1 million reflecting the two funding rounds in 1989. Negative budget authority of $61.4 million is currently estimated for 1990, reflecting the transfer of unobligated balances, including 1990 recaptures, to Community Development Block Grants ($50 million) and to Urban Homesteading ($11.4 million). The outlay estimate ($225 million) is less than originally estimated, reflecting the effect of grant terminations during 1989.

EXPLANATION OF INCREASES AND DECREASES

The decreases reflect terminating the program and the declining obligated balance available for disbursement.

PROGRAM DESCRIPTION

1. Authorization. Section 119 of the Housing and Community Development Act of 1974, as amended, authorizes grants to cities and urban counties experiencing severe economic distress to help stimulate economic development activity needed to aid in economic recovery. Assistance has been provided to communities which met minimum standards of physical, economic, or fiscal distress, have demonstrated results in providing housing for persons of low- and moderate-income, and have demonstrated results in providing equal opportunity in housing and employment for low- and moderate-income persons and members of minority groups.

2. Purpose. The Urban Development Action Grants program was designed to revitalize distressed communities by stimulating economic development, and, in turn, create new permanent jobs and new tax revenues. This program requires evidence of private sector financial commitments to a proposed project before action grants are approved.

The "pockets of poverty" provision of the Urban Development Action Grants program extended the use of the assistance to generally non-distressed communities. Assistance is made available to these communities to revitalize distressed areas within their boundaries. The Secretary is authorized to use up to 20 percent of the UDAG funds appropriated in any fiscal year for the purpose of making grants to eligible pockets of poverty jurisdictions.

PROGRAM ACTIVITY

1. UDAG Preliminary Approvals and Private Investments. Since the inception of the program, through September 30, 1989, a total of 8,675 applications for both large and small cities in the amount of $14.1 billion has been considered for funding.

Of these applications, 2,983 projects for $4.6 billion have been announced since the inception of the program, excluding projects terminated before expenditure of funds. The following table shows the number of projects and amount of funds net of reductions and cancellations.

UDAG FUNDS CUMULATIVE FROM THE BEGINNING OF PROGRAM THROUGH SEPTEMBER 30, 1989

	METRO CITIES AND URBAN COUNTIES	SMALL CITIES	TOTAL
	(Dollars in Millions)		
Number of projects	1,647	1,336	2,983
Amount:			
Private	$22,038	$8,126	$30,164
UDAG	3,470	1,158	4,628

2. Project Approvals. Excluding projects which have been terminated, 2,983 project approvals have been awarded. The following table illustrates the number of UDAG projects funded by population groupings:

DISTRIBUTION OF UDAG PROJECTS FUNDED BY POPULATION SIZE RECIPIENT AS OF SEPTEMBER 30, 1989

POPULATIONS GROUPINGS	PROJECTS NUMBER	AMOUNT (Dollars in Thousands)
1 million and over	214	$604,089
500,000-999,999	241	576,729
250,000-499,999	311	750,217
100,000-249,999	355	732,823
50,000-99,999	349	557,599
25,000-49,999	399	513,314
10,000-24,999	426	407,958
5,000-9,999	280	199,546
Under 5,000	408	285,756
Grand totals	2,983	4,628,031

3. Other Programs and UDAG. Participation by other Federal agencies and other public entities, including cities and States, with UDAG-funded activities is estimated at $2.8 billion.

4. Project Activities. A wide range of project activities have been funded with action grant funds used for public improvements, such as roads, that will foster economic development. Cities have used funds to make subordinated loans directly to firms to augment private investment. Repaying these loans to the city allows recycling of action grant funds for further economic development activities.

STATUS OF FUNDS

1. Status of Funds.

a. Unobligated balances. The following table compares program obligations with funds available by year.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Unobligated balance, start of year	$50,988	$81,542	...
Recoveries of prior year obligations	123,873	50,000	$10,000
Total available	174,861	131,542	10,000
Obligations	-77,806	-70,092	...
Unobligated balances transferred to:			
Community Development Block Grants	...	-50,000	...
Urban Homesteading	...	-11,450	...
Salaries and Expenses HUD	-3,490	...	...
Emergency Food and Shelter (FEMA)	-12,000	...	...
Unobligated balance lapsing	-23	...	...
Unobligated balance proposed for rescission	...	...	-10,000
Unobligated balance, end of year	81,542	...	...

b. Obligated balance. The status of obligated balances is as follows:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Obligated balance, start of year	$1,024,209	$701,396	$496,488
Obligations incurrred	77,806	70,092	...
Subtotal	1,102,015	771,488	496,488
Outlays	-242,035	-225,000	-198,000
Adjustment in expired accounts	-34,711	...	...
Adjustment in unexpired accounts	-123,873	-50,000	-10,000
Obligated balance, end of year	701,396	496,488	288,488

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

URBAN HOMESTEADING

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Program Level:					
Federal properties conveyed:					
Number	741	665	1,375	2,780	+1,405
Amount	$13,306	$12,000	$24,773	$50,003	+$25,230
Technical Assistance	...	...	...	250	+250
Appropriation (Budget Authority)					
Enacted or proposed	13,200	12,000	13,200	50,000	+36,800
Approp. Act reduction (Section 517)	...	...	-205	...	+205
Proposed transfer of unobligated balance from Urban Development Action Grants	...	...	11,450	...	-11,450
Proposed transfer to Research and Technology	...	...	...	-47	-47
Total	13,200	12,000	24,445	49,953	+25,508
Budget Outlays	15,094	12,515	24,450	49,953	+25,503

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget requests a 1991 appropriation of $50 million for Urban Homesteading, of which $47 thousand is proposed for transfer to the Research and Technology account for increased evaluation and monitoring of HUD programs. The 1991 Urban Homesteading funding level, including anticipated recaptures of $300 thousand, will enable the transfer of an estimated 2,780 federally owned properties at an average value of $18,000. Also, $250 thousand is requested for technical assistance which is needed because of the program's expansion and particularly for those communities expected to participate in the program for the first time in 1991.

For 1990, the Budget proposes to expand the Urban Homesteading program by transferring $11.4 million of unobligated balances from the Urban Development Action Grants program to enable the homesteading of additional Federal Housing Administration (FHA) properties. This expansion is consistent with the Administration's policy of increasing homeownership opportunities for low-income persons. These additional 1990 funds will be available until expended and will be limited to FHA properties because of the large available inventory of FHA properties. Also, other Federal agencies' properties can be transferred within the existing Urban Homesteading appropriation.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual obligations of $13,306 thousand were less than the projected $13,686 thousand primarily because recovery of prior year obligations originally estimated to be $500 thousand did not materialize. The original number of properties that were estimated to be transferred in 1989 was 768, at an assumed value of $18,000 per property. The actual average cost for each property transferred was $17,957 nearly identical to the estimated cost. However, with less funds available, the number of Federal properties conveyed was less than projected.

The actual outlays ($15,094 thousand) were only slightly more than the estimate ($14,855 thousand).

3. CHANGES FROM 1990 BUDGET ESTIMATES

The current 1990 funding level of nearly $24.8 million is based on the 1990 Congressional appropriation of $13 million, the proposed transfer of $11.4 million from the Urban Development Action Grants (UDAG) program and anticipated recaptures of $300 thousand. However, approximately $3.5 million of the proposed UDAG transfer depends upon the outcome of litigation which could result in those funds being retained for use in the UDAG program. The increases in properties conveyed and outlays are consistent with the projected increase in obligations.

EXPLANATION OF INCREASES AND DECREASES

The $50 million appropriation proposed for 1991 is a further increase of $25.5 million over the current 1990 estimate and reflects the Administration's priority to promote increased homeownership opportunities. This will permit a doubling of the number of properties conveyed to an estimated 2,780.

PROGRAM DESCRIPTION

Section 810 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to transfer (without payment) to a unit of general local government, a State, a designated public agency, or a qualified community organization, any HUD-owned, unoccupied, one- to four-family residence which the Secretary determines is suitable for use in an Urban Homesteading program. Section 810 funds also are available to reimburse the Department of Veterans Affairs (VA), the Farmers Home Administration (FmHA), and the Resolution Trust Corporation (RTC) for the value of their residential properties used by HUD-approved urban homesteading localities. The RTC is authorized to participate in the Urban Homesteading program by Section 501 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (P.L. 101-73). In addition, since 1987, Section 810 funds have been available to reimburse the Section 312 Rehabilitation Loan Fund for properties used in an urban homesteading program.

Any State, unit of general local government, public agency or qualified community organization designated by a State or local government may apply to participate in the Urban Homesteading program. A locality's approved urban homesteading program must provide a coordinated approach toward neighborhood improvement through the program and the upgrading of community services and facilities. It also must provide an equitable procedure for selecting recipients of properties who have the capacity to make the necessary repairs and improvements. The selection procedure must give special priority to applicants who are lower income families, exclude applicants who are currently homeowners, and take into account the applicant's capacity either to contribute a substantial amount of labor to the rehabilitation process, or to obtain financial assistance to rehabilitate the property.

HUD allocates funds, based on the above, as well as other factors such as the designation of neighborhoods where there is an inventory of federally foreclosed properties, administrative capacity to administer the program, a locality's spending performance during the prior year, and the locality's own determination of funding need.

Federally owned (HUD, VA, FmHA, or RTC) single family properties are transferred through the locality to individuals or families subject to:

-- the property becoming their principal residence for at least 5 consecutive years;

-- repairing all defects that pose a substantial danger to health and safety within 1 year of the date of initial conveyance;

-- repairing the property to meet applicable local standards for decent, safe, and sanitary housing within 3 years after the date of initial conveyance; and

-- permitting reasonable, periodic inspection by the locality.

The Urban Homesteading appropriation is used to reimburse the Federal Housing Administration (FHA) Mortgage Insurance Funds and the Section 312 Rehabilitation Loan Fund for the fair market value of HUD-owned properties transferred for use in the program. Reimbursement for VA and FmHA properties is based on the fair market value of the property or the amount of that agency's claim, whichever is less. The claim is the unpaid mortgage indebtedness, the cost of acquiring the property, and the expenses connected with Federal ownership of the property. The basis for reimbursement of the RTC is now being determined.

REHABILITATION FINANCING

Federally owned properties are transferred to individuals and families without substantial cost. The recipient is required to pay to bring the property up to required local standards. The principal financing source has been the Section 312 Rehabilitation Loan Fund. The Budget, however, proposes terminating the Section 312 program after 1990. Nevertheless, other financing sources are available for rehabilitation, including local banks, other private lending institutions, local government loan programs, and CDBG funds. Traditionally, entitlement cities have used about 32 percent of their CDBG funds for housing rehabilitation which indicates this funding source should continue to provide adequate support to the Urban Homesteading program.

In fiscal year 1989, 46 percent of rehabilitation financing for homesteading properties--compared to 54 percent in 1988--was provided by the Section 312 Rehabilitation Loan program, 39 percent by CDBG and other public funding, and 15 percent by private financing.

CHARACTERISTICS OF URBAN HOMESTEADERS

Federal regulations governing HUD-approved urban homesteading programs provide localities with considerable flexibility with respect to program purpose and design. As a result, characteristics of urban homesteaders may vary from community to community; however, nationally, urban homesteaders generally tend to be: minorities, persons of low- and moderate-income, young families, single heads of households, and former renters or those employed in the city in which they become homesteaders.

STATUS OF FUNDS

The following tables show the 1989 through 1991 status of the Urban Homesteading funds:

	STATUS OF APPROPRIATIONS		
	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Unobligated balance, start of year............	$131	$28	...
Appropriations:			
Enacted or proposed.........................	13,200	13,200	$50,000
Approp. Act Reduction (Section 517)..........	...	-205	...
Proposed transfer to Research and Technology	...	...	-47
Proposed transfer from Urban Development Action Grants..............................	...	11,450	...
Recoveries of prior year obligations..........	4	300	300
Total funds available.......................	13,335	24,773	50,253
Obligations (Reimbursements to FHA Fund and other Agencies)............................	-13,306	-24,773	-50,003
Obligations for technical assistance..........	...	...	-250
Total obligations...........................	-13,306	-24,773	-50,253
Unobligated balance, end of year..............	28	...	...

	STATUS OF OBLIGATED BALANCES		
	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Obligated balance, start of year..............	$2,185	$393	$416
Obligations incurred:			
Properties conveyed.........................	13,306	24,773	50,003
Technical assistance........................	...	...	250
Subtotal..................................	15,491	25,166	50,669
Outlays.......................................	-15,094	-24,450	-49,953
Recovery of prior year obligations............	-4	-300	-300
Obligated balance, end of year................	393	416	416

Urban Homesteading

PROGRAM ACCOMPLISHMENTS AND ACTIVITY

The Urban Homesteading program began as a HUD demonstration in 1975. The demonstration closed in 1977, and Urban Homesteading was inaugurated as a regular HUD program in December 1978. Since publication of the rules and regulations for program administration, HUD developed and published monitoring procedures for program compliance review and an Urban Homesteading Handbook which describes criteria for local participation, applications, reporting requirements, and assurances.

In 1989, 611 FHA, 116 VA, 12 FmHA and 2 Section 312 properties were transferred, and the Department estimates approximately 1,025 FHA, 200 VA, 40 FmHA, 100 RTC and 10 Section 312 properties will be transferred in fiscal year 1990. In fiscal year 1991, the Department estimates approximately 2,010 FHA, 350 VA, 100 FmHA, 300 RTC and 20 Section 312 properties will be transferred.

The table on the following pages reflects activity in the Urban Homesteading program during fiscal year 1989. These data are derived from two sources: (1) HUD's Regional offices report the number of Federal properties which Local Urban Homesteading Agencies (LUHAs) acquire using Section 810 funds, and (2) LUHAs track and report activity on those acquired properties directly into the Urban Homesteading Program Management Information System (UHPMIS). The Department implemented UHPMIS in fiscal year 1986, eliminating the need for Field offices to collect milestone data. The table includes data related only to Section 810 funded property acquisitions and does not include data for locally acquired properties not using Section 810 assistance.

During 1989, 10 new localities were approved to participate in the Urban Homesteading program; and a total of 97 localities actively participated in the program. The table indicates Section 810 funds were used to reimburse the FHA Mortgage Insurance Funds, the Department of Veterans Affairs, and the Farmers Home Administration, and the Section 312 Program for 741 properties. This adds up to a total of 12,022 properties since 1975. (NOTE: the data in the table are based on program reporting systems and may not coincide with accounting records.) In addition, rehabilitation was completed on 616 properties in 1989; localities transferred 589 properties with conditional titles to homesteaders; and 248 homesteaders received fee simple title after completing all program requirements, including a 5-year occupancy period.

The measurable beneficial impact of property transfers and rehabilitation includes: upgrading specific, targeted neighborhoods by reversing the blighting effects of a deteriorating housing stock; providing affordable housing to lower income individuals and families; and increasing the localities' tax revenue bases. The presence of an urban homesteading effort has pointed the way for localities to address their abandoned property and tax title problems, provided homeownership opportunities for those persons of low- and moderate-income, and encouraged the revitalization of inner-city neighborhoods. Moreover, it has helped to reduce the inventory of federally owned properties.

URBAN HOMESTEADING ACTIVITIES IN FISCAL YEAR 1989

STATE	LUHA	PROPERITES ACQUIRED					COND	REHABILITATION		PROPS	FINAL
		FHA	FmHA	VA	312	TOTAL	CONVEY	BEGUN	COMPLETE	OCCUPIED	CONVEY
AL	Birmingham......	10	...	...	...	10	4	4	...	...	...
AZ	Phoenix.........	10	...	...	...	10	7	5	10	11	1
CO	Denver..........	7	...	1	...	8	...	...	...	...	...
DE	Wilmington......	...	...	...	...	...	1	1	1	1	...
FL	Broward Co......	2	...	...	...	2	2	1	1	1	5
FL	Dade Co.........	...	...	...	...	...	14	12	11	11	8
FL	Ft. Lauderdale..	...	...	...	...	...	8	8	8	10	...
FL	Hillsborough Co.	6	...	3	...	9	2	5	6	6	...
FL	Jacksonville....	15	...	...	...	15	17	13	14	14	2
FL	Lee Co..........	1	...	...	...	1	5	4	4	5	...
FL	Palm Beach Co...	2	...	...	...	2	10	...	...	...	4
FL	Pensacola.......	14	...	...	...	14	...	...	...	...	...
FL	Pompano Beach...	2	...	...	...	2	4	2	1	1	...
FL	St. Petersburg..	...	...	...	...	...	2	2	4	4	4
FL	Tampa...........	3	...	6	...	9	12	12	12	12	...
GA	Atlanta.........	1	...	...	...	1	6	1	...	1	...
GA	State of Georgia	4	...	...	...	4	...	...	...	...	...
GA	Savannah........	3	...	...	...	3	...	...	...	...	...
IA	Davenport.......	5	...	2	1	8	1	1	5	5	...
IA	Des Moines......	4	...	2	1	7	...	...	2	1	9
IA	Eldora..........	...	...	...	...	...	...	...	2	1	...
IA	Sioux City......	1	...	...	...	1	1	1	6	6	...
ID	Boise...........	2	...	5	...	7	9	9	8	10	...
IL	Chicago.........	24	...	...	...	24	10	16	25	21	6
IL	Decatur.........	11	...	2	...	13	2	11	4	4	8
IL	East St. Louis..	3	...	...	...	3	1	1	...	...	...
IL	Harvey..........	6	...	...	...	6	12	12	10	12	...
IL	Joliet..........	3	...	...	...	3	5	5	4	4	...
IL	Kankakee........	2	...	...	...	2	...	...	2	2	...
IL	Rock Island.....	1	...	...	...	1	3	3	7	8	...
IL	Rockford........	10	...	3	...	13	10	10	24	20	...
IL	Springfield.....	2	...	...	...	2	...	...	...	...	...
IN	Gary	...	...	...	...	...	3	...	2	5	6
IN	Indianapolis....	10	...	5	...	15	15	9	...	6	1
IN	Lake Co.........	11	...	5	...	16	19	19	6	18	...
IN	South Bend......	...	...	...	...	...	1	6	10	8	6
IN	Terre Haute.....	...	...	1	...	1	10	8	7	7	...
KS	Kansas City.....	2	...	...	...	2	2	4	6	6	...
KS	Topeka..........	5	...	3	...	8	...	2	4	4	...
KY	Jefferson Co....	2	...	...	...	2	2	2	2	2	6
KY	Louisville......	12	...	1	...	13	4	4	4	4	5
LA	New Orleans.....	8	...	...	...	8	7	1	1	1	...
LA	Shreveport......	11	...	...	...	11	5	5	5	5	...
MD	Prince George's.	...	...	5	...	5	6	3	6	5	...
MI	Detroit.........	...	...	...	...	...	...	...	...	...	37
MI	Flint...........	11	...	...	...	11	9	9	8	5	16
MI	Genesee Co......	4	...	...	...	4	6	4	4	6	3
MI	Grand Rapids....	...	...	...	...	...	2	2	6	4	...
MI	Inkster.........	4	...	1	...	5	7	7	3	5	...
MI	Jackson.........	1	...	...	...	1	...	...	...	...	...
MI	Kalamazoo.......	6	...	2	...	8	8	12	4	11	...
MI	Lansing.........	4	...	1	...	5	...	1	1	1	...
MI	Saginaw.........	2	...	...	...	2	1	5	4	4	4
MN	Anoka Co........	...	...	...	...	...	1	1	2	1	...
MN	Dakota Co.......	...	...	...	...	...	...	...	1	1	...
MN	Duluth..........	3	...	3	...	6	3	3	11	13	2
MN	Minneapolis.....	5	...	...	...	5	...	...	2	...	3
MN	Moorhead........	...	...	...	...	...	...	...	...	...	1
MN	Rochester.......	...	...	...	...	...	4	4	4	4	...

URBAN HOMESTEADING ACTIVITIES IN FISCAL YEAR 1989

		PROPERTIES ACQUIRED					COND	REHABILITATION		PROPS	FINAL
STATE	LUHA	FHA	FmHA	VA	312	TOTAL	CONVEY	BEGUN	COMPLETE	OCCUPIED	CONVEY
MN	St. Cloud.......	1	...	...	...	1	1	1	2	2	...
MN	St. Paul........	8	...	...	...	8	2	4	5	6	...
MO	Berkeley........	3	...	...	...	3	...	...	...	...	...
MO	Jennings........	3	...	...	...	3	4	4	...	1	4
MO	Kansas City.....	1	...	3	...	4	3	2	6	6	28
MO	Pagedale........	...	...	...	...	...	...	...	...	2	...
MO	St. Louis.......	...	...	...	...	...	...	...	15	1	12
MO	St. Joseph......	...	...	1	...	1	2	2	4	1	...
MO	Venita Park.....	1	...	...	...	1	...	...	...	...	...
MT	Billings........	5	...	...	...	5	...	...	...	...	...
NE	Atkinson........	...	...	...	...	...	...	...	1	...	...
NE	Omaha...........	9	...	2	...	11	23	23	23	23	...
NE	South Sioux City	1	...	1	...	2	...	...	...	...	...
NJ	Bridgeton.......	...	...	...	...	...	...	2	2	2	...
NJ	Camden..........	10	...	...	...	10	2	3	4	3	...
NY	Babylon.........	...	...	...	...	...	1	2	5	5	...
NY	Buffalo.........	...	...	...	...	...	...	...	...	...	8
NY	Freeport........	...	...	...	...	...	...	...	...	...	1
NY	Niagara Falls...	4	...	2	...	6	7	5	3	3	...
NY	Rochester.......	10	...	...	...	10	...	...	3	...	6
NY	Yonkers.........	...	...	...	...	...	...	...	1	...	...
OH	Canton..........	7	...	4	...	11	...	...	1	1	...
OH	Cincinnati......	12	...	1	...	13	11	15	10	12	...
OH	Cleveland.......	10	...	...	...	10	10	5	5	5	...
OH	Columbus........	...	...	...	...	...	5	7	21	8	17
OH	Cuyahoga Co.....	2	...	1	...	3	...	2	3	1	...
OH	Dayton..........	2	...	...	...	2	4	5	6	6	...
OH	Lima............	2	...	3	...	5	1	0	3	2	...
OH	Montgomery Co...	6	...	2	...	8	4	4	4	4	5
OH	Ohio, State of..	2	...	2	...	4	...	...	1	1	...
OH	Springfield.....	3	...	1	...	4	...	...	...	...	...
OH	Toledo..........	...	...	...	...	...	...	...	8	3	5
OH	Warren..........	4	...	...	...	4	3	3	5	3	1
OH	Youngstown......	...	...	...	...	...	13	5	...	3	...
OK	Enid............	11	...	...	...	11	11	12	...	12	...
OK	Lawton..........	4	...	6	...	10	5	2	...	1	...
OK	Oklahoma City...	33	...	...	...	33	...	...	...	...	...
OK	Shawnee.........	4	...	1	...	5	7	9	9	8	...
OK	Tulsa...........	...	...	...	...	...	4	4	4	4	...
OR	Portland........	17	...	...	...	17	25	25	34	34	...
PA	Allegheny Co....	3	...	1	...	4	4	4	3	3	...
PA	Allentown.......	4	...	...	...	4	10	10	2	10	...
PA	Chester.........	12	...	...	...	12	16	16	13	13	...
PA	Delaware Co.....	5	...	1	...	6	3	3	3	2	...
PA	Harrisburg......	...	...	...	...	...	3	1	2	2	...
PA	McKeesport......	2	...	...	...	2	...	1	...	...	...
PA	Philadelphia....	...	...	...	...	...	10	9	5	9	...
PR	Ceiba...........	...	...	...	...	...	10	10	10	10	...
PR	Naguabo.........	...	12	...	...	12	...	...	...	...	...
SC	Anderson........	...	...	...	...	...	1	1	1	1	...
SC	Columbia........	8	...	...	...	8	7	6	...	...	2
SC	Greenville Co...	6	...	...	...	6	2	1	6	4	...
TN	Chattanooga.....	6	...	...	...	6	3	3	...	2	...
TN	Shelby Co.......	17	...	...	...	17	4	14	13	13	...

URBAN HOMESTEADING ACTIVITY FISCAL YEAR 1989

		PROPERTIES ACQUIRED					COND	REHABILITATION		PROP	FINAL
STATE	LUHA	FHA	FmHA	VA	312	TOTAL	CONVEY	BEGUN	COMPLETE	OCCUPIED	CONVEY
TX	College Station.	...	...	...	...	...	3	...	2	6	...
TX	Ft. Worth.......	24	...	...	...	24	16	12	12	12	...
TX	Houston.........	7	...	9	...	16	5	7	2	2	...
TX	Lubbock.........	7	...	...	...	7	...	...	...	...	...
TX	San Antonio.....	3	...	18	...	21	3	6	5	5	...
UT	Salt Lake City..	9	...	1	...	10	...	...	...	...	...
UT	Salt Lake Co....	11	...	...	...	11	4	4	...	...	...
VA	Newport News....	3	...	...	...	3	...	...	...	...	...
VA	Virginia, State.	...	...	...	...	...	3	3	2	4	...
WA	Longview........	...	...	...	...	...	1	1	2	1	...
WA	Richland........	2	...	3	...	5	...	...	...	...	...
WA	Spokane.........	8	...	...	...	8	14	14	3	13	...
WA	Yakima..........	5	...	...	...	5	7	6	5	4	...
WI	Kenosha.........	...	...	...	...	...	6	6	5	4	4
WI	Milwaukee.......	28	...	...	...	28	26	26	45	26	14
WI	Racine..........	3	...	2	...	5	4	4	3	1	4
WY	Wyoming, State..	8	...	...	...	8	13	13	10	12	...
	TOTALS......	611	12	116	2	741	589	577	616	619	248

NOTES: Property acquisition data are based on program reporting by HUD Regional Offices and will not coincide exactly with accounting records.

Figures for conveyance, rehabilitation, and occupancy include properties acquired in fiscal year 1989, as well as acquisitions by LUHAs that were active in previous fiscal years.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

RENTAL REHABILITATION GRANTS

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Program Level:					
Obligations:					
Grants........................	$169,545	$148,500	$147,885	$88,500	-$59,385
Technical Assistance...........	1,481	1,500	2,977	1,405	-1,572
Total.......................	171,026	150,000	150,862	89,905	-60,957
Estimated units to be rehabilitated with current year appropriations............	19,700	18,650	16,300	8,600	-7,700
Appropriation (Budget Authority)					
Enacted or proposed.............	$150,000	$130,000	$130,000	$70,000	-$60,000
Approp. Act reduction (Sec. 517)	...	...	-2,015	...	+2,015
Proposed Transfer to Research and Technology.........	...	...	...	-95	-95
Total.......................	150,000	130,000	127,985	69,905	-58,080
Budget Outlays....................	174,784	149,752	180,000	170,000	-10,000

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget requests a $70 million appropriation for the Rental Rehabilitation Grants program in 1991, of which $95 thousand is proposed for transfer to Research and Technology to support increased evaluation and monitoring of HUD programs. Of the $69.9 million for the Rental Rehabilitation Grants program, $1.4 million will be available for technical assistance and $68.5 million for rehabilitation grants. In addition, an estimated $20 million will be available from recaptures for a total 1991 program level of $89.9 million. Authorizing legislation will be required for the appropriation.

The Budget also proposes that, beginning in 1991, communities with designated Housing Opportunity Zones and approved Barrier Removal Plans under the HOPE initiative will receive bonus allocations of Rental Rehabilitation funds.

2. CHANGES FROM 1989 BUDGET ESTIMATES INCLUDED IN 1990 BUDGET

The actual appropriation of $150 million is more than the Budget estimate of $148.4 million because Congress did not enact a proposed reduction of $1.6 million.

Actual obligations ($171 million) were somewhat less than the estimate ($175.8 million). This is partly attributable to the amount of recaptures ($16.5 million) which were less than the estimate ($20 million). The reduced estimate of units to be rehabilitated from the 1989 appropriation (19,700 units) compared to the previous estimate of 23,160 units is attributable to higher per unit costs based on actual experience. Additionally, less funds were obligated for technical assistance ($1.5 million) than was estimated in the Budget ($3 million). The difference will be obligated in 1990.

Actual outlays ($174.8 million) were greater than the estimate of $135 million. Due to increases in production and numbers of completed units, and rising per unit costs (primarily because of bigger subsidy limits for units with more bedrooms), disbursements of Rental Rehabilitation programs funds occurred at a faster rate than in previous years.

Rental Rehabilitation Grants

3. CHANGES FROM 1990 BUDGET ESTIMATES

The decrease in grant obligations from $148.5 million to $147.9 million is due to the unobligated balance that carried forward from 1989 as offset by the 1990 funding reduction provided pursuant to the 1990 Appropriations Act. The increase in technical assistance is due to the 1989 technical assistance funds not all being obligated in 1989.

Outlays are increased from $150 million to $180 million reflecting the 1989 experience.

EXPLANATION OF INCREASES AND DECREASES

The decrease in obligations and in the estimated number of units to be rehabilitated is due to a lower appropriation level in 1991 than in 1990. The unit decrease also reflects a higher Rental Rehabilitation Grants per unit cost in 1991.

The decrease in 1991 outlays is based on lower program activity as rehabilitation of units in the pipeline is completed. A $384 million obligated balance is estimated to be available for disbursement at the end of 1990 as compared to $433 million at the end of 1989.

PROGRAM DESCRIPTION

1. Program Purpose. The Rental Rehabilitation Grants program is authorized by Section 17 of the United States Housing Act of 1937, as amended, and is designed to increase the supply of standard rental housing available to lower-income families in areas experiencing a shortage of decent rental housing units. The program supports the Section 8 Housing Voucher program by allowing housing voucher holders increased rental opportunities.

The program's premise is that the subsidy for rehabilitating property should be separated from the rent subsidy for tenants. Rehabilitation subsidies are provided through a one-time, front-end mechanism such as a grant, a deferred payment loan, or a below market-rate interest loan. The Rental Rehabilitation program makes it feasible to rehabilitate rental properties for lower-income families by providing the difference in what the owner can afford to borrow from a private lending institution and what it actually takes to rehabilitate the property. Rents charged for units rehabilitated in the program are market rents. The Administration is proposing legislation which would make localities having rent controls ineligible for Rental Rehabilitation program funds.

Rental subsidies, provided through the Section 8 Certificate and Housing Voucher programs, are used to permit eligible lower-income or very low-income tenants to live in the renovated property or move to other decent housing of their own choice. Unlike other programs, no distinction or restriction is made with regard to single and multifamily properties, as long as the structures are primarily rental and residential in character.

2. Eligible Recipients. Eligible recipients include States and units of general local government. Rental rehabilitation grants offer localities considerable flexibility in designing their particular rehabilitation program so as to best meet the needs of their neighborhoods, investors, and lenders. The locality designs its own subsidy mechanism, selects neighborhoods, and determines the types of properties to be rehabilitated, and establishes relationships with private lending institutions, investors, and residents.

3. Distribution of Funds. Rental Rehabilitation funds are allocated by a formula to cities having 50,000 or more in population, to urban counties, and to States. The formula includes factors such as overcrowding, substandard housing, and low-income renter population, using the most recent Census data. To receive a direct allocation from HUD, a locality must meet a minimum allocation threshold of $50,000. The exception to the $50,000 minimum formula allocation is for grantees which participated as formula grantees in the preceding fiscal year and which, due to funding reductions, would have less than a $50,000 formula allocation in the current year. Such grantees would have the option of receiving a formula allocation under $50,000 or participating in a State program. The Budget also proposes that, beginning in 1991, communities with designated Housing Opportunity Zones and approved Barrier Removal Plans under the HOPE initiative will receive bonus allocations of Rental Rehabilitation funds.

Rental Rehabilitation funds are not available for use in rural areas other than as part of a demonstration program as authorized by Section 311 of the Housing and Community Development Act of 1987, as amended by the 1990 Appropriations Act (P.L. 101-144). This demonstration is continuing through fiscal year 1991.

4. Eligible Activities. Grants are used to rehabilitate residential, rental structures located in lower-income neighborhoods designated by the grantee. For each grantee, at least 70 percent of funds must be expended on units initially occupied by lower income tenants. Generally, Rental Rehabilitation program grant funds may not finance more than 50 percent of eligible rehabilitation costs for each project.

All units rehabilitated with funds provided under this program shall, after upgrading, meet or exceed HUD's Section 8 Housing Quality Standards. The program limits rehabilitation assistance to correcting substandard conditions, making essential improvements, and repairing major systems in danger of failure. Also, where national historic preservation standards apply, program participants must support national historic preservation objectives in their rental rehabilitation efforts.

Localities are encouraged to delegate technical tasks to the private sector to reduce administrative overhead costs and maximize use of private sector expertise. Such tasks include preparing work write-ups and specifications; contractor selection and monitoring; private financing; feasibility analysis; underwriting; and, loan servicing.

5. Legislative Changes. Title X of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 made several changes to the Rental Rehabilitation program. The Act directs HUD to allocate sufficient certificates or vouchers to address physical and economic displacement of tenants living in projects receiving Rental Rehabilitation assistance; and Public Housing Authorities (PHAs) are allowed to exceed the 10 percent limit on local preferences for the use of vouchers and certificates, if necessary to serve economically displaced Rental Rehabilitation program tenants. (The HUD 1990 Appropriations Act similarly included a provision that highest priority for vouchers must be given to eligible families already living in Rental Rehabilitation projects who are physically displaced or are required to pay more than 35 percent of their income for rent.)

6. Program Status. Since the legislation authorizing the Rental Rehabilitation program was passed in November 1983, grant funds have been obligated annually to approximately 600 direct grantees (481 localities, 46 States including Puerto Rico, and 73 localities participating in the HUD-administered State program), as well as approximately 300 small cities participating in the Rental Rehabilitation program. State and local governments have designed their own rehabilitation strategies to the benefit of low-income persons and have moved forward expeditiously with implementation.

The program requires that 70 percent of the funds be spent to initially benefit lower-income tenants. As of December 31, 1989, based on 103,728 tenants for whom income is known, the actual lower-income benefit is 92 percent, with 71 percent having incomes below 50 percent of median. Fifty percent of the assisted families are female heads-of-household. The program also has a goal that 70 percent of funds be used to rehabilitate units having two or more bedrooms and 15 percent of funds be used to rehabilitate units having three or more bedrooms. To date, 71 percent of the funds have been used to rehabilitate units having two or more bedrooms and 20 percent of the funds have been used to rehabilitate units having three or more bedrooms. Also, Rental Rehabilitation funds are currently generating other investments in the rehabilitation of units at a ratio of nearly two dollars for each dollar of Rental Rehabilitation funds.

In each of fiscal years 1989-1991, nearly $1.5 million in Rental Rehabilitation program funds is authorized or proposed for technical assistance. This technical assistance has been, and will continue to be utilized, to the benefit of Rental Rehabilitation grantees on such important issues as the impact of the tax bill on real estate; tax credit and its effect on investment in rental property; and implications for marketing and structuring Rental Rehabilitation financing. The key feature of technical assistance is the aid to grantees in administering the program and in improving the essential coordination between grantees and local housing agencies to assure that existing, eligible tenants are assisted.

7. Unit Commitments and Completions. The Rental Rehabilitation program is producing significant numbers of standard rental housing affordable to lower-income tenants. As of December 31, 1989, local agencies had made commitments to 34,671 projects for a total of 162,934 units, with 27,841 projects with 108,954 units completed. By the end of fiscal year 1990, 136,500 units are projected for completion and occupancy by low-income tenants.

Commitment estimates for 1989 through 1991 are based on per unit costs of $6,800 for 1989 funds, $7,000 for 1990 funds and $7,200 for 1991 funds. These per unit costs exclude the use of funds for technical assistance and include the effect of the HCD Act of 1987 which allows localities to use 10 percent of their grant funds for administrative costs, beginning with the 1988 appropriation.

The following tables show estimated numbers of units to be rehabilitated based on the grant obligations; the numbers of units for which localities are actually committing funds to specific projects; and the numbers of units for which rehabilitation is expected to be completed:

Status of Committed Units	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Estimated units to be rehabilitated with prior year appropriations (local commitments not yet made), start of year	60,709	41,072	26,055
Estimated units to be rehabilitated with current year appropriations	19,700	16,300	8,600
Subtotal	80,409	57,372	34,655
Less: Unit commitments by local agencies (during year)	-39,337	-31,317	-28,231
Balance of estimated units to be committed, end of year	41,072	26,055	6,424

Status of Completed Units	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Estimated units to be rehabilitated with prior year appropriations (not yet completed), start of year	107,615	97,246	78,046
Estimated units to be rehabilitated with current year appropriations	19,700	16,300	8,600
Subtotal	127,315	113,546	86,646
Less: Units completed (during year)	-30,069	-35,500	-36,011
Balance of estimated units to be completed, end of year	97,246	78,046	50,635

STATUS OF FUNDS

1. Authorization. This program is authorized by Section 17 of the United States Housing Act of 1937, as amended. Appropriations through 1988 have been included within amounts for Annual Contributions for Assisted Housing. A separate appropriation was provided beginning in 1989. Authorizing legislation will be required for the 1991 appropriation.

2. Status of Funds

a. Unobligated Balances. The following table compares the program obligations with funds available by year.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Unobligated balance, start of year	$7,418	$2,877	...
Appropriations	150,000	127,985	$69,905
Recovery of prior year obligations	16,525	20,000	20,000
Total Available	173,943	150,862	89,905
Obligations	-171,026	-150,862	-89,905
Lapsed	-40	...	...
Unobligated balance, end of year	2,877	...	...

Rental Rehabilitation Grants

b. Obligated Balances. The status of obligated balances is as follows.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Obligated balance, start of year	$454,891	$432,828	$383,690
Obligations incurred	171,026	150,862	89,905
Subtotal	625,917	583,690	473,595
Outlays	-174,783	-180,000	-170,000
Recovery of prior year obligations	-16,525	-20,000	-20,000
Adjustments to expired accounts	-1,780	...	...
Obligated balance, end of year	432,828	383,690	283,595

MISCELLANEOUS PROVISIONS

Recipients of assistance are required to submit a program description to HUD before receiving funds. This includes certifying that their rehabilitation activities are conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 and Title VIII of the Civil Rights Act of 1968, as amended. HUD also conducts annual reviews and audits, as needed, to determine whether program participants are administering their Rental Rehabilitation activities according to the law.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

REHABILITATION LOANS (SECTION 312)

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Loan Obligations:					
Number	352	...	2,700	...	-2,700
Amount	$9,557	...	$84,019	...	-$84,019
Unobligated Balances Transferred (Enacted or Proposed):					
Community Development Block Grants	200,000 a/	$86,000 a/	...	...	...
Appropriation (Budget Authority):					
Sequestration	...	...	[-1,371] b/	...	[+1,371]
Proposed transfer of unobligated balance to Annual Contributions for Assisted Housing	...	...	...	-$87,000 a/	+87,000
Total	...	...	...	-87,000	+87,000
Budget Outlays	-22,990	-20,900	5,200	-45,685	-50,885

a/ Amounts shown are enacted and proposed transfers of unobligated balances. Under new OMB "scorekeeping rules" such transfers are counted as negative budget authority beginning in 1990. Unobligated balances transferred prior to 1990 do not offset budget authority.

b/ Sequestrations are applied to "de facto" loan limitations and do not permanently reduce budgetary resources. Thus, this reduction is not counted as negative budget authority.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget proposes to terminate the Section 312 program at the end of 1990 and to transfer the estimated unobligated balance of $87 million in 1991 to Annual Contributions for Assisted Housing to provide additional vouchers in conjunction with the HOPE initiative. Other assets and liabilities would be transferred to the Revolving Fund (Liquidating Programs).

In 1990, new loans are estimated at $84 million to be financed from repayments, and other income received during the year.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The 1989 Appropriations Act provided that $200 million of unobligated balances of the Section 312 program be transferred to the Community Development Block Grants program to offset the amount of appropriation required for the CDBG program. Because of this statutory requirement, new Section 312 loan obligations were not made until the full $200 million transfer had been completed. This did not occur until the last month of the fiscal year. Thus, actual loan obligations ($9.6 million) were less than the 1989 estimate ($19.5 million). The 1989 loans were made only to finance the rehabilitation of Section 810-Urban Homesteading properties.

The Budget proposal to transfer $3.5 million of Section 312 unobligated balances to "HUD, Salaries and Expenses" in 1989 was not enacted.

Actual outlays (net receipts of $23 million) were different from the net receipt estimate of $47 million due to a faster spendout of obligated loan balances and lower loan repayments than were projected.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The changes in loan obligations and outlays are attributable to the Congressionally-mandated continuation of the program in 1990 whereas the Budget had assumed program termination. Also, the 1990 Budget proposed transferring an estimated $86 million in unobligated balances to the CDBG program, which was not approved.

EXPLANATION OF INCREASES AND DECREASES

The program is proposed to be terminated at the end of 1990, and the estimated unobligated balance of $87 million is proposed for transfer to Annual Contributions for Assisted Housing. The estimated increase in net receipts to $45.7 million reflects the decrease in the obligated loan balance resulting from program termination.

The Section 312 program duplicates other rehabilitation funding sources, including the Community Development Block Grants program which is a more effective means of providing rehabilitation assistance.

PROGRAM DESCRIPTION

Section 312 of the Housing Act of 1964, as amended, authorizes the Secretary to make rehabilitation loans for single family and multifamily residential properties and non-residential properties. Loans may be made only if the rehabilitation is: (1) necessary for the execution of an approved community development program under Title I of the Housing and Community Development Act of 1974, as amended; or (2) in support of an approved Urban Homesteading program under Section 810 of the same Act.

In making Section 312 loans, priority generally is given to applications submitted by low- and moderate-income persons who own property and will occupy it upon completion of rehabilitation. The Department charges a minimum interest rate of 3 percent for low- and moderate-income families and a "floating" interest rate for all other loans. This latter rate is computed using Government borrowing rates published the week the loans are approved. Since 1989 funds were only available for Section 810-Urban Homesteading properties, all of the loans were made at a 3 percent interest rate. The term of a Section 312 loan cannot exceed 20 years or three-fourths of the remaining economic life of the property, whichever is shorter. Section 518 of the Housing and Community Development Act of 1987 amended the 1964 Act to prohibit the collection of any application premiums or risk fees, and also to prohibit the sale of any loan. The 1990 Appropriations Act likewise specifically prohibits any loan sales.

LOAN MANAGEMENT

The Section 312 Rehabilitation Loan portfolio is serviced by a network of FNMA servicers, scheduled to be replaced in July 1990 by a single private contractor and a master servicer, who will be responsible for servicing all loans originated since 1982 and all loans which become more than 90 days delinquent.

Rehabilitation Loans

The table below reflects the status of the Rehabilitation Loan Fund's outstanding loans and portfolio as of September 30, 1989, of which 14.2 percent, or 6,513 loans, were 31 days or more delinquent or in legal servicing. Those loans represent 18.6 percent, or $111,712 thousand of the Section 312 portfolio. The table excludes new loan approvals which are not in a loan servicing status. The total outstanding balance of loans at the end of 1989 was $628,833 thousand.

	Loans	Outstanding Balance (Dollars in Thousands)
FNMA-administered portfolio....................	26,007	$201,270
Master servicer portfolio......................	19,709	400,228
Total..	45,716	601,498

STATUS OF FUNDS

1. Unobligated balances. The following table compares program obligations with funds available by year:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
SOURCE OF FUNDS			
Unobligated balance start of year....................	$134,823	$26,296	$14,903
Restoration of sequestered funds......................	...	...	1,371
Recovery of prior year obligations....................	20,116	8,000	...
Loan repayments and other income......................	95,659	94,019	97,000
Total funds available................................	250,598	128,315	113,274
APPLICATION OF FUNDS			
Loan obligations......................................	9,557	84,019	...
Loan servicing..	10,197	15,522	13,703
Acquired security and collateral......................	4,548	12,500	11,200
Transfer to Community Development Block Grants.......	200,000	...	...
Transfer to Annual Contributions for Assisted Housing	...	...	87,000
Sequestration...	...	1,371	...
Total use of funds..................................	224,302	113,412	111,903
Unobligated balance, end of year......................	26,296	14,903	1,371

2. Obligated Balances. The table below shows the status of Section 312 obligations:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Obligated balance, start of year...............	$98,669	$30,186	$35,008
Obligations:			
Loans..	9,557	84,019	...
Other program expenses.........................	14,745	28,022	24,903
Subtotal.....................................	122,971	142,227	59,911
Less:			
Receipts, repayments, and recoveries..........	-115,775	-102,019	-97,000
Outlays..	+22,990	-5,200	+45,685
Obligated balance, end of year................	30,186	35,008	8,596

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

EMERGENCY SHELTER GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Program Level:					
Grant Obligations..................	$46,768	$125,000	$73,698	$71,687	-$2,011
Appropriation (Budget Authority):					
Enacted or proposed................	46,500	125,000	75,000	71,285	-3,715
Approp. Act reduction (Sec. 517)..	...	...	-1,162	...	+1,162
Sequestration......................	...	...	-674	...	+674
Proposed transfer to Research and Technology..........	...	...	...	-98	-98
Total...........................	46,500	125,000	73,164	71,187	-1,977
Budget Outlays.......................	41,829	63,000	47,193	66,201	+19,008

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1991 Budget proposes an appropriation of $71,285 thousand for the Emergency Shelter Grants program, of which $98 thousand is proposed for transfer to Research and Technology to support increased evaluation and monitoring of HUD programs.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Actual obligations ($46,768 thousand) were slightly less than the estimate ($47,302 thousand) because projected recaptures of $500 thousand did not occur.

Actual outlays ($41,829 thousand) were less than the estimate ($45,000 thousand) because some non-profit recipients have limited experience with shelter rehabilitation and some are carrying out their activities on a reimbursable basis and have delayed drawing down their grant funds.

3. CHANGES FROM THE 1990 BUDGET ESTIMATES

The reduced 1990 appropriation and current obligation estimate reflect Congressional action not to fully fund this McKinney Act program as requested by the President.

The current outlay estimate of $47,193 thousand is reduced from the 1990 Budget estimate of $63 million based on revised outlay assumptions and the lower 1990 appropriation.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 1991 appropriation and obligation amounts are only $2 million less than the corresponding amounts for 1990. These amounts are sufficient to maintain a comparable level of shelter support as in 1990. The increase in outlays reflects the increased drawdown of grant funds from the increased volume of obligations in 1990 and 1991 as more shelters are made ready for occupancy and receive payments for operating expenses.

PROGRAM DESCRIPTION

This program was authorized originally by the Homeless Housing Act of 1986 and is now authorized by Title IV, Subtitle B of the Stewart B. McKinney Homeless Assistance Act, as amended. The Department makes grants for renovation, major rehabilitation, or conversion of buildings for use as emergency shelters for the homeless, and for the payment of certain operating and essential services in connection with emergency shelters for the homeless. The 1988 McKinney Act Amendments added a new eligible category, homeless prevention. Grantees must match the HUD grant with an equal amount of funds. Any building for which shelter grant funds are used for physical changes must be maintained as a shelter for the homeless for 3 years or more, or for 10 years or more if the grant is used for major rehabilitation or conversion of the building.

Emergency Shelter Grants

The purpose of the program is to help increase the availability of temporary emergency shelters for the homeless. Emergency Shelter Grant funds are also available to help meet the cost of operating emergency shelters, for providing essential services to homeless persons so that they may improve their living situations and for homeless prevention activities. Examples of essential services include assistance in obtaining permanent housing; and services concerned with employment, physical health, mental health, substance abuse, food and education. Legislation will be proposed to remove the current 20 percent "cap" of the grant amount for these services.

ALLOCATION OF FUNDS

Grants are allocated to States, metropolitan cities, urban counties, and the Territories. The numbers of grantees eligible to receive allocations from the 1989-1991 appropriations are as follows:

	1989 Actual	1990 Estimate	1991 Estimate
States (including Puerto Rico)...........	51	51	51
Metropolitan Cities and Urban Counties...	323	323	323
Territories..............................	5	5	5
Total number.............................	379	379	379

The amount of each grant for participating cities and urban counties is determined by the Community Development Block Grant formula which uses several objective measures of community need, including poverty, population, housing overcrowding, age of housing and growth lag. The States' grant formula uses similar indicators of need. The allocation to the Territories is based on their historical share of Community Development Block Grant funds. A State distributes to its units of general local government or to private nonprofit organizations all grant amounts that it is awarded. Under the McKinney Amendments, a State may make an award directly to a nonprofit organization if the organization certifies that the community, in which it is located, approves of the application. Grant amounts that are not used or are returned to HUD are reallocated periodically. To be eligible to receive an Emergency Shelter Grant, an applicant must have a HUD-approved Comprehensive Homeless Assistance Plan.

The 1986 Homeless Housing Assistance Act requires HUD to review an application within 60 days after submission of an applicant's Homeless Assistance Plan. Typically, Entitlement city and urban county applications are approved within 30 days after submission while State applications are approved within 15 days of receipt by the Department.

Because of the emergency nature of this program, deadlines were set also for the use of grant amounts. Under the McKinney Amendments, a State must commit 90 percent of its funds within 65 days of grant award by HUD. Each unit of local government receiving funds from a State must obligate its funds within 180 days after receipt of its distribution from the State. Each metropolitan city, urban count, and Territory receiving a direct grant must have all funds obligated with 180 days after executing a grant agreement with HUD. Any funds not distributed or obligated within these time frames are reallocated to other jurisdictions.

Beginning with the $50 million 1987 supplemental appropriation, the minimum allocation for metropolitan cities and urban counties was changed to .05 percent of the total funds allocated. This will make approximately 323 jurisdictions eligible to receive an allocation in 1991. For those Entitlement cities or urban counties which do not meet the $62,500 threshold for 1991, their formula amounts will be added to the allocation of the State in which the city or county is located. A State is required to allocate all of its funds to units of general local government or nonprofit organizations within its jurisdiction. A State could, if it chooses, include metropolitan cities and urban counties in its allocation process even if they are eligible for a direct grant.

Emergency Shelter Grants

The following table shows the allocation of appropriations for 1989-1991. Formula allocations for metropolitan cities and urban counties are combined with allocations to States and Territories for purposes of this table.

State/Territory	FY 1989 Actual Allocations	Estimated Allocations	
		FY 1990	FY 1991
	(Dollars in Thousands)		
Alabama	$742	$1,172	$1,139
Alaska	51	80	78
Arizona	450	708	689
Arkansas	387	610	594
California	4,740	7,454	7,253
Colorado	410	645	628
Connecticut	541	852	829
Delaware	101	160	156
District of Columbia	261	410	399
Florida	1,874	2,946	2,866
Georgia	968	1,526	1,485
Hawaii	215	338	329
Idaho	116	183	178
Illinois	2,503	3,938	3,832
Indiana	917	1,443	1,404
Iowa	531	837	814
Kansas	365	575	560
Kentucky	675	1,062	1,033
Louisiana	883	1,389	1,352
Maine	225	354	344
Maryland	749	1,178	1,146
Massachusetts	1,406	2,213	2,153
Michigan	1,860	2,924	2,845
Minnesota	754	1,187	1,155
Mississippi	512	806	784
Missouri	985	1,549	1,507
Montana	108	170	165
Nebraska	250	394	383
Nevada	117	184	179
New Hampshire	144	227	221
New Jersey	1,506	2,369	2,305
New Mexico	213	336	327
New York	4,908	7,721	7,512
North Carolina	853	1,343	1,307
North Dakota	94	148	144
Ohio	2,184	3,436	3,343
Oklahoma	395	622	605
Oregon	378	595	579
Pennsylvania	3,017	4,746	4,618
Rhode Island	225	354	344
South Carolina	517	812	790
South Dakota	114	179	174
Tennessee	751	1,182	1,150
Texas	2,788	4,385	4,268
Utah	248	390	379
Vermont	89	141	137
Virginia	765	1,203	1,170
Washington	668	1,050	1,022
West Virginia	344	541	526
Wisconsin	838	1,318	1,282
Wyoming	48	76	74
Puerto Rico	1,626	2,558	2,489
American Samoa	12	19	19
Guam	37	59	57
North Mariana	6	10	10
Virgin Island	32	51	50
Palau	4	7	7
Total	46,500	73,164	71,187

Emergency Shelter Grants

PROGRAM ACTIVITY

1. Cumulative Activity.

Emergency Shelter Grant program funds have been spent predominantly for physical improvement or expansion of shelter facilities. Through fiscal year 1988, over 56 percent of all funds was used for rehabilitation activities. Thirty-seven percent of all funds was spent on operational support activities such as rent, utilities, or insurance, and the remaining 7 percent was spent on social services.

2. Fiscal Year 1988 Activity.

The $8 million 1988 appropriation was distributed to 322 Entitlement communities, 50 States, Puerto Rico, and three territories. The States, in turn made funds available to 148 communities of which 37 were also Entitlement-funded. The total number of cities receiving assistance was therefore 420. These communities in turn provided assistance to 679 homeless facilities with a total of 24,000 shelter beds. Entitlement-funded communities provided ESG funds to 485 facilities with 18,315 shelter beds, while State-funded communities provided funds to 194 shelters with 5,685 shelter beds.

Because of the small amount of money available to many communities from the 1988 appropriation, approximately one-third of all awards were made to the same shelters that received 1987 funds. Information on the use of the 1989 appropriation is not yet available.

STATUS OF FUNDS

1. Unobligated Balances. The following table compares program obligations with funds available by year.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Unobligated balance, start of year	$302	$34	...
Appropriation	46,500	73,164	$71,187
Recovery of prior year obligations	...	500	500
Subtotal	46,802	73,698	71,687
Obligations	-46,768	-73,698	-71,687
Unobligated balance, end of year	34	...	...

2. Obligated Balances. The status of obligated balances is as follows:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Obligated balance, start of year	$42,870	$47,809	$73,814
Obligations incurred	46,768	73,698	71,687
Subtotal	89,638	121,507	145,501
Outlays	-41,829	-47,193	-66,201
Recovery of prior year obligations	...	-500	-500
Obligated balance, end of year	47,809	73,814	78,800

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

TRANSITIONAL AND SUPPORTIVE HOUSING DEMONSTRATION PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Program Level					
Obligations..........................	$114,726	$105,000	$129,997	$143,399	+$13,402
Appropriation (Budget Authority):					
Enacted or proposed.................	80,000	105,000	130,000	143,592	+13,592
Approp. Act Reduction (Sec. 517)...	...	...	-2,015	...	+2,015
Sequestration.......................	...	...	-1,160	...	+1,160
Proposed transfer to Research and Technology.....................	...	...	...	-193	+193
Total............................	80,000	105,000	126,825	143,399	+16,574
Budget Outlays.......................	22,090	31,700	57,909	78,476	+20,567

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget proposes a 1991 appropriation of $143.6 million for the Supportive Housing Demonstration program, of which $193 thousand is proposed to be transferred to Research and Technology for increased evaluation and monitoring of HUD programs.

2. CHANGES FROM 1989 ESTIMATES IN 1990 BUDGET

The 1990 Budget assumed an obligation level of $108.4 million in 1989. The actual obligations were $114.7 million because of the availability of recaptured funds. The 1990 Budget assumed no recaptures.

Actual outlays of $22.1 million fell short of the estimate ($34 million) primarily because of site control problems which delayed completion of projects and also due to grants which were terminated because approval conditions were not met.

The McKinney Act requires a set-aside from each year's appropriation of not less than $20 million for homeless families with children and $15 million for permanent housing for handicapped homeless persons. This requirement was amended by the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 which requires funds to be reallocated from these specific categories if, following the final funding round each year, any funds set-aside have not been awarded for a given category. Of the $15 million set-aside for permanent housing for handicapped persons in 1989, approximately $5.1 million was not used and was reallocated for transitional housing purposes in 1989.

3. CHANGES FROM THE 1990 ESTIMATES

The 1990 Budget requested an appropriation of $105 million; however, the 1990 Appropriations Act made $126.8 million available. Thus, obligations will increase. Outlays are expected to increase from the 1990 Budget estimate, reflecting a drawdown of the increased 1989 obligations and a larger obligated balance available for disbursement in 1990 than originally projected.

EXPLANATION OF INCREASES AND DECREASES

The increased funding level in 1991 recognizes the high priority placed on providing housing assistance and support services to homeless families with children and homeless individuals with mental disabilities. The 1991 Budget also includes $20 million for a legislative proposal to assist homeless families eligible for the Aid to Families with Dependent Children (AFDC) program who are living in temporary shelters. Obligations and outlays are also increased to reflect the higher fund availability.

Transitional and Supportive Housing Demonstration

PROGRAM DESCRIPTION

The Supportive Housing Demonstration program has two components: the transitional housing program and the permanent housing for the handicapped homeless. The program was first authorized in the Homeless Housing Act of 1986 and implemented in 1987. The expanded Supportive Housing Demonstration program was authorized by Title IV, Subtitle C of the Stewart B. McKinney Homeless Assistance Act, as amended, and includes assistance for transitional housing for families with children, homeless individuals with mental disabilities and permanent housing for handicapped homeless persons. Participants must match half the cost of acquisition and rehabilitation and a percentage of the cost of operations and supportive services.

This demonstration is designed to develop innovative approaches for providing supportive housing and services, especially to deinstitutionalized homeless individuals, homeless families with children, and homeless individuals with mental disabilities and other homeless persons. The applicant must present evidence that the project is consistent with the applicable Comprehensive Homeless Assistance Plan.

The purposes of the demonstration are to determine: (a) the cost of acquiring, rehabilitating or leasing existing structures for the provision of supportive housing; (b) the cost of operating such housing and providing supportive services to the residents; (c) the social, financial, and other advantages of such housing as a means of assisting homeless individuals; and (d) the lessons that such housing might have for the design and implementation of housing programs that service homeless individuals, homeless families with children and homeless individuals with mental disabilities and handicapped homeless individuals.

Assistance is provided through acquisition/substantial rehabilitation advances, grants for moderate rehabilitation and annual payments for operating costs and supportive services. HUD Field Office staff also provide technical assistance.

Non-interest bearing advances of up to $200 thousand, and in some areas up to $400 thousand, may be made to States, cities, counties, Indian tribes, or private nonprofit organizations to cover the cost of acquisition and/or substantial rehabilitation of structures to be used for transitional housing. Applicants may also apply for moderate rehabilitation grants for up to the same limits. Recipients of advances must agree to maintain the facility for twenty years or the grant is repayable. Recipients of grants must agree to maintain the facility for at least 10 years. However, the amount to be repaid will be reduced by 10 percent for each year over 10 years that the property is used for supportive housing.

Annual payments for up to 50 percent of operating costs and supportive services is another component of the demonstration. The matching amount can come from any source. Operating costs include expenses incurred for the administration, maintenance, repair, and security of the housing; payment for utilities, fuel, furnishings, and equipment; the assessment of the housing; and, supportive services. Supportive services encompass assistance in obtaining permanent housing, medical and psychological counseling and supervision, employment and nutritional counseling, and other activities. Applicants may also use their funds to develop and implement employment assistance programs.

PROGRAM ACTIVITY

Transitional Housing. Through fiscal year 1989, the Department has made 382 Transitional Housing awards totalling $209 million (net of recaptures) with an average award of approximately $548 thousand. These funds provided homeless organizations the capacity to serve 2,319 families and 5,017 individuals. Most of the awards are made directly to nonprofit organizations. However, approximately 10 percent went to local government organizations such as social service or mental health agencies, or local housing authorities. The average Transitional Housing facility has the capacity to shelter 30 individuals. There are several large facilities that inflate the average, and the median shelter capacity is 21 persons.

Permanent Housing for the Handicapped Homeless. Through fiscal year 1989, the Department had made 143 Permanent Housing awards totalling $16.8 million (net of recaptures). These funds had the capacity to serve 1,000 mentally disabled people and 52 families with mentally disabled members. Permanent Housing awards may only be made to States with private nonprofit or public housing authority sponsors. Virtually all awards, 98 percent, went to organizations that serve the mentally disabled.

Transitional and Supportive Housing Demonstration

Fund Distribution

The following table shows the distribution of funds by State and by program component for all appropriations through 1989. Amounts shown are net of recaptures and terminations.

GRANT AWARDS BY STATE AND PURPOSE

REGION	STATE	PERMANENT HOUSING FOR THE HANDICAPPED	TRANSITIONAL HOUSING	TOTAL
		(Dollars in thousands)		
I	Connecticut	$200	$6,335	$6,535
	Massachusetts	293	9,696	9,989
	Maine	427	4,400	4,826
	New Hampshire	1,563	5,064	6,627
	Rhode Island	989	1,224	2,214
	Vermont	158	358	517
		3,631	27,077	30,708
II	New Jersey	485	6,538	7,023
	New York	950	36,389	37,339
	Puerto Rico	...	838	838
		1,435	43,765	45,200
III	District of Columbia	506	7,167	7,673
	Delaware	...	130	130
	Maryland	339	5,547	5,886
	Pennsylvania	1,675	8,583	10,258
	Virginia	952	10,944	11,896
	West Virginia	135	383	518
		3,607	32,754	36,361
IV	Alabama	102	329	431
	Florida	...	8,062	8,062
	Georgia	844	3,873	4,717
	Kentucky	185	709	894
	Mississippi	31	...	31
	North Carolina	...	667	667
	South Carolina	30	1,040	1,070
	Tennessee	415	1,200	1,615
		1,607	15,880	17,487
V	Illinois	$562	$11,012	$11,574
	Indiana	...	4,127	4,127
	Michigan	186	3,723	3,909
	Minnesota	...	1,406	1,406
	Ohio	1,052	3,793	4,845
	Wisconsin	766	3,115	3,811
		2,566	27,176	29,742
VI	Arkansas	...	892	892
	Louisiana	...	1,266	1,266
	New Mexico	...	636	636
	Oklahoma	24	2,147	2,171
	Texas	104	11,157	11,261
		128	16,098	16,226
VII	Iowa	...	1,509	1,509
	Kansas	...	493	493
	Missouri	...	4,136	4,136
	Nebraska	130	110	240
		130	6,248	6,378

Transitional and Supportive Housing Demonstration

REGION	STATE	PERMANENT HOUSING FOR THE HANDICAPPED	TRANSITIONAL HOUSING	TOTAL
		(Dollars in thousands)		
VIII	Colorado	613	3,506	4,119
	Montana	...	378	378
	North Dakota	...	417	417
	South Dakota	78	...	78
	Utah	...	469	469
	Wyoming	...	...	...
		691	4,770	5,461
IX	Arizona	184	2,354	2,538
	California	2,212	21,157	23,369
	Hawaii	...	500	500
	Nevada	...	2,689	2,689
		2,396	26,700	29,096
X	Alaska	...	183	183
	Idaho	217	...	217
	Oregon	221	1,748	1,970
	Washington	146	6,936	7,081
		584	8,867	9,451
	Totals	16,775	209,335	226,110

STATUS OF FUNDS

1. Unobligated balances.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Appropriations:			
Enacted or proposed	$80,000	$130,000	$143,592
Approp. Act. reduction (Sec. 517)	...	-2,015	...
Sequestration	...	-1,160	...
Transfer to Research and Technology	...	...	-193
Unobligated balance, start of year	28,356	3,172	...
Recoveries of prior year obligations	9,542	...	...
Total Available	117,898	129,997	143,399
Obligations	-114,726	-129,997	-143,399
Unobligated balance, end of year	3,172	...	...

2. Obligated balances.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Obligated balance, start of year	$109,837	$192,931	$265,019
Obligations incurred	114,726	129,997	143,399
Total	224,563	322,928	408,418
Outlays	-22,090	-57,909	-78,476
Recoveries of prior year obligations	-9,542	...	...
Obligated balance, end of year	192,931	265,019	329,942

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

RENTAL HOUSING ASSISTANCE FOR THE HOMELESS
(formerly Supplemental Assistance for Facilities to Assist the Homeless)

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Program Level:					
Rental Housing Assistance for the Homeless	...	...	...	$160,782	+$160,782
Supplemental Assistance for Facilities for the Homeless	$150	$11,000	$10,849	...	-10,849
Total program levels	150	11,000	10,849	160,782	+149,933
Appropriation (Budget Authority):					
Rental Housing Assistance for the Homeless	...	...	...	161,000	+161,000
Supplemental Assistance for Facilities to Assist the Homeless	...	11,000	11,000	...	-11,000
Approp. Act Reduction (Sec. 517)	...	...	-170	...	+170
Proposed transfer to Research and Technology	...	...	...	-218	-218
Total	...	11,000	10,830	160,782	+149,952
Budget Outlays:					
Rental Housing Assistance for the Homeless	...	...	...	...	...
Supplemental Assistance for Facilities to Assist the Homeless	6,390	6,000	11,364	5,415	-5,949
Total outlays	6,390	6,000	11,364	5,415	-5,949

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget proposes to rename the Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) program, authorized by Title IV of the Stewart B. McKinney Homeless Assistance Act, as amended. Under the new title "Rental Housing Assistance for the Homeless", the Budget proposes a 1991 appropriation of $161 million, of which $218 thousand is proposed to be transferred to the Research and Technology account for increased evaluation and monitoring of HUD programs. This appropriation is one of three components of the "Shelter Plus Care" program and will provide rental assistance, in connection with matching supportive services, for homeless individuals who are seriously mentally ill or have chronic problems with alcohol, other drugs, or both.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Obligations in the SAFAH program were slightly less ($19 thousand) than the estimate because the one grant announced in 1989 was for $150 thousand. Outlays were slightly higher ($260 thousand) than the estimate primarily because those grantees doing acquisition and/or rehabilitation as part of their projects, were able to proceed with the work more quickly than anticipated.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The slight decrease in obligations ($151 thousand) reflects the Section 517 reduction, somewhat offset by the unobligated balance carried into 1990. The increase in outlays reflects a faster drawdown than previously assumed by recipients for acquisition and/rehabilitation of their shelters.

EXPLANATION OF INCREASES AND DECREASES

The 1991 estimates reflect the Administration's new program, Rental Housing Assistance for the Homeless. The 1991 outlays reflect the final drawdown of SAFAH funds. Outlays from the new program are expected to begin in 1992.

Rental Housing Assistance for the Homeless

PROGRAM DESCRIPTION

1. Supplemental Assistance for Facilities to Assist the Homeless. This program is authorized by Title IV, Subtitle D, of the Stewart B. McKinney Homeless Assistance Act, as amended. Under this program, funds are made available to provide comprehensive assistance for particularly innovative programs or alternative methods of meeting the immediate and long term needs of the homeless. Funds may also be used to supplement assistance received under the Emergency Shelter Grants program and the Supportive Housing Demonstration program to meet the needs of special population groups and to make use of underutilized public buildings. Special population groups include homeless families with children and elderly homeless individuals.

Assistance is provided in the purchase, lease, renovation, or conversion of facilities t assist the homeless and for the costs of operating such facilities. Additionally, supportive services, such as food, child care, assistance in obtaining permanent housing, outpatient health services, employment counseling, nutritional counseling, security arrangements necessary for the protection of residents of facilities to assist the homeless, and such other services essential for achieving and maintaining independent living, are eligible uses of funds.

Awards may be made to a State, metropolitan city, urban county, tribe, or private nonprofit organization. Assistance may be provided only to an applicant that: (1) has shown a commitment to alleviating property; (2) has furnished assurances that any property purchased, leased, renovated, or converted will be operated for not less than 10 years; and (3) has continuing capacity to effectively provide assistance to homeless individuals.

2. Rental Housing Assistance for the Homeless. The Rental Housing Assistance for the Homeless program will be an integral part of the proposed new initiative for Homeownership and Opportunity for People Everywhere (HOPE) and is one of three separate rental assistance type programs entitled "Shelter Plus Care" which are included in the HOPE initiative. The other two programs ($50 million under Section 8, Moderate Rehabilitation Single Room Occupancy and a $36 million set-aside for the Section 202(h) for the homeless program) are administered by the Assistant Secretary for Housing.

It is projected that the $160.8 million appropriation will assist an estimated 6,600 homeless individuals for the term of assistance.

Legislation will be proposed to amend Title IV of the Stewart B. McKinney Act and create this new program to provide rental assistance to homeless individuals who are seriously mentally ill or have chronic problems with alcohol, other drugs, or both, in concert with supportive services funded from other sources. This program will provide homeless individuals with the housing and supportive services they need in order to live as independently are they are able.

While the McKinney Act funds a wide variety of programs to assist the homeless, linking housing to programs which provide mental health or alcohol and drug abuse treatment services requires a more concerted effort than can be undertaken under the current, activity-specific McKinney Act programs. This population requires a high degree of both medical and non-medical support in order to become stabilized. Thus far, the problems of these homeless individuals have been very difficult to cure, due to the persistence of the problems affecting them, despite various treatment programs, the nature of the problems, and the challenge of linking the homeless into the social service system and assuring they continue to receive the services they need. This program is designed to reinforce this country's commitment to eliminate the tragedy of homelessness for all those who are homeless, especially those who are least able to care for themselves.

The Rental Housing Assistance program would be the centerpiece of the Shelter Plus Care program. This assistance would be extremely flexible. The recipient would be responsible for developing a 5-year housing plan for the homeless individuals it proposes to serve and describing how these individuals will be housed throughout the full 5-year period. Recipients would receive 5-years of assistance but could design a program tailored on a yearly basis to the housing needs of those served because this assistance would not have to be evenly expended over the 5-year period. Recipients would be able to spend up to 25 percent of their rental assistance in any 1 year, or a higher percentage if approved by HUD, as long as the recipient could demonstrate to HUD's satisfaction that there would be adequate funding from other programs to enable an individual to be able to afford to live in the community while paying no more than 30 percent for income for rent for the full 5-years.

Rental Housing Assistance for the Homeless

This rental assistance program is also designed to be sufficiently flexible to be used in a wide variety of housing situations. For example, it could be used in a building operated by a community mental health agency which has beds for stabilization. It could be used also in less structured group settings. It could also be used in existing rental units in the community. For the first 2-years of assistance, recipients can determine if individuals should live in specific buildings, if such determination is necessary for the effective provision of services. In the subsequent years of assistance, recipients would be allowed to move individuals into independent housing arrangements as possible.

PROGRAM ACTIVITY

Supplemental Assistance for Facilities to Assist the Homeless. Forty-five awards have been made to States, cities, and nonprofit agencies which in turn assisted 115 homeless facilities with a capacity to serve 3,897 persons. The most common expenditure was for supportive services, which accounted for 33 percent of fund usage. Rehabilitation and operational activities each accounted for approximately 25 percent of support fund usage. The balance went for property acquisition.

STATUS OF FUNDS

This status of funds combines the Supplemental Assistance for Facilities to Assist the Homeless with the proposed new Rental Housing Assistance for the Homeless program.

1. Unobligated balances.

The status of the unobligated balances is as follows:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Unobligated balance, start of year	$169	$19	...
Appropriations proposed or enacted:			
Supplemental Assistance for Facilities to Assist the Homeless	...	11,000	...
Approp. Act reduction (Sec. 517)	...	-170	...
Rental Housing Assistance for the Homeless	...	...	$161,000
Transfer to Research and Technology	...	...	-218
Total funds available	169	10,849	160,782
Obligations incurred:			
Supplemental Assistance for Facilities to Assist the Homeless	-150	-10,849	...
Rental Housing Assistance for the Homeless	...	...	-160,782
Unobligated balance, end of year	19	...	...

2. Obligated balances.

The status of obligated balances is as follows:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
		(Dollars in Thousands)	
Obligated balance, start of year	$12,170	$5,930	$5,415
Obligations incurred:			
Supplemental Assistance for Facilities to Assist the Homeless	150	10,849	...
Rental Housing Assistance for the Homeless	...	...	160,782
Total available	12,320	16,779	166,197
Outlays:			
Supplemental Assistance for Facilities to Assist the Homeless	-6,390	-11,364	-5,415
Rental Housing Assistance for the Homeless	...	...	...
Unobligated balance, end of the year	5,930	5,415	160,782

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

MODERATE REHABILITATION (SINGLE ROOM OCCUPANCY)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Appropriation (Budget Authority):					
Enacted or Proposed...........	$45,000	$50,000	$75,000	$50,000	-$25,000
Approp. Reduction (Sec. 517)..	NA	NA	-1,162	NA	+1,162
Sequestration..................	NA	NA	-653	NA	+653
Proposed transfer to Research and Technology...............	NA	NA	NA	-429	-429
Total........................	45,000	50,000	73,185	49,571	-23,614
Gross Reservations..............	44,996	50,000	73,207 a/	49,571	-23,636
Unit Reservations...............	1,205	1,350	1,995 a/	1,305	-690
Budget Outlays..................	$1,735	$4,300	$3,893	$7,388	+$3,695

a/ Includes one unit and $22 thousand in carryover funds in the "Annual Contributions" account.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

Within the Department's 1991 request for Annual Contributions funding is $49,571 thousand ($50 million appropriation less a $429 thousand transfer to "Research and Technology" for program evaluation) requested for the Moderate Rehabilitation Single Room Occupancy (SRO) program. The 1990 Appropriation Act provided a separate appropriation for this program. However, the 1991 Budget not only includes program funding with the 1991 Annual Contributions request, but also proposes the transfer of balances of the 1990 Appropriation into the Annual Contributions account. The Department sees no advantage to maintaining a separate appropriation account for this program.

HUD estimates that the $49.6 million requested would support 1,305 rooms in projects and/or rooming houses. The program will provide housing assistance in connection with matching supportive services for homeless individuals who are seriously mentally ill or have chronic problems with alcohol, drugs or both.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

As the table below shows, program estimates closely approximated actual activity for 1989:

	1989 ESTIMATE IN 1990 BUDGET	ACTUAL 1989	DIFFERENCE
	(Dollars in Thousands)		
Budget Authority			
Appropriation..................	$45,000	$45,000	...
Gross Reservations..............	45,000	44,996	-$4
Unit Reservations (Rooms)........	1,270	1,205	-65
Unit Cost (annual)...............	3,545	3,799	+254
Budget Outlays..................	1,735	1,735	...

The 1990 Budget estimated that 1,270 rooms in projects and/or rooming houses would receive a reservation of funds in 1989. Actual reservations totaled 1,205, or 95 percent of the estimate. Budget authority associated with these reservations totaled $44,996 thousand, or almost 100 percent of the estimate. The average annual cost per reservation was approximately $250 more than the estimate.

Moderate Rehabilitation (Single Room Occupancy)

3. CHANGES FROM 1990 ESTIMATES

The 1990 Budget initially included a proposal to fund the SRO program at a $73.6 million level--the amount needed to support 2,000 rooms. The request was later amended in order to fully fund the homeless assistance programs at the levels authorized under the McKinney Homeless Assistance Amendments Act of 1988. This represented a $230 million increase in total homeless assistance (over the 1990 Budget request) but reduced the SRO funding request by $23.6 million—to $50 million. The funds were included within the total amount proposed for Annual Contributions.

However, the 1990 Appropriations Act provided a separate appropriation of $75 million for the program. This amount was reduced by $1.16 million pursuant to Section 517 of the Act and $653 thousand was sequestered—resulting in a net total of $73.2 million. With the carryover of $22 thousand, this amount is estimated to support 1,995 rooms.

EXPLANATION OF INCREASES AND DECREASES

The request for 1991 is consistent with the $50 million level authorized for the program in the McKinney Act Amendments. The $49.6 million program level proposed for 1991 reflects the transfer of about $429 thousand to the Research and Technology account in support of program monitoring and evaluation. The amount requested would support an estimated 1,305 rooms.

Based on a projected spendout rate for the program and increasing obligations, it is estimated that outlays will rise from $1.7 million in 1989 to $3.9 million in 1990 and $7.6 million in 1991.

As noted earlier, there appears to be no inherent programmatic advantage to a separate appropriation for this program. Effective program monitoring and funding control can be achieved within the Annual Contributions account. Therefore, the 1991 SRO program is based on the assumption of new funding being included within the amount provided for Annual Contributions and the transfer of 1990 funding back into the account.

PROGRAM DESCRIPTION

Section 8 assistance for dwellings housing single room occupants is authorized by Title IV, Subtitle E of the Stewart B. McKinney Homeless Assistance Act. The appropriated funds may be used only in connection with the moderate rehabilitation of housing described in Section 8(n) of the U.S. Housing Act of 1937 for occupancy by homeless individuals. Beginning in 1991, Moderate Rehabilitation SRO will be one component of the "Shelter Plus Care" program and will provide housing assistance in connection with matching supportive services for homeless individuals who are seriously mentally ill or have chronic problems with alcohol, drugs, or both. The "Shelter Plus Care" program is part of the Homeownership and Opportunity for People Everywhere (HOPE) initiative.

The amounts made available under the program are allocated on the basis of a national competition to the eligible applicants that best demonstrate a need for the assistance and the ability to undertake and carry out a workable program. To be considered for assistance, an applicant shall submit a written proposal containing:

(1) a description of the size and characteristics of the population within the applicant's jurisdiction that would occupy single room occupancy dwellings;

(2) a listing of additional commitments from public and private sources that the applicant might be able to provide in connection with the program;

(3) an inventory of suitable housing stock to be rehabilitated with such assistance; and

(4) a description of the interest that has been expressed by builders, developers, and others (including profit and nonprofit organizations) in participating in the program.

No single city or urban county shall be eligible to receive more than 10 percent of the assistance made available under this section.

Each contract for housing assistance payments shall require the installation of a sprinkler system that protects all major spaces, hard wired smoke detectors, and such other fire safety improvements as may be required by State or local law.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

ASSISTANCE FOR SOLAR AND CONSERVATION IMPROVEMENTS

PROGRAM HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Program Level Obligations	$898	...	$225	...	-$225
Budget Outlays	819	$400	400	...	-400

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for 1991. Title V of the Energy Security Act of 1980 created the Solar Energy and Energy Conservation Bank and authorized it to September 30, 1987. Other legislation extended the authorization for the Bank to March 15, 1988, at which time the life of the Bank expired. No further extension is proposed. Although no funds are expected to become available in 1991, the Budget proposes that any recaptures or balances that might become available be rescinded. Amounts now are too small to run an effective program.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

Obligations in 1989 were less than estimated because the 1989 allocation had less available funds from recaptures than expected.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget estimate assumed there would be no funds remaining for obligation, whereas funds continue to be recaptured that must be reallocated pursuant to Court Order (*Dabney* v. *Reagan*). Legislation is being proposed to withdraw, permanently, any recaptures after 1990.

EXPLANATION OF INCREASES AND DECREASES

All disbursements are projected to be completed by the end of 1990.

PROGRAM DESCRIPTION

The Solar Energy and Energy Conservation Bank was established to encourage energy conservation and the use of solar energy to reduce the Nation's dependence on foreign sources of energy supplies. The program operated through State agencies and provided: (1) loan subsidies and matching grants for energy conservation in one- to four-family and multifamily residential buildings completed prior to 1980, (2) loan subsidies for energy conservation in commercial and agricultural buildings completed prior to 1980 with nonprofit occupants, and (3) loan subsidies for passive and active solar energy systems in existing and newly constructed one- to four-family and multifamily residential buildings and commercial and agricultural buildings with nonprofit owners.

PROGRAM ACTIVITY

In 1989, funds available for obligation were $1,023 thousand (exclusive of $1,654 thousand of lapsed funds). Actual obligations in 1989 were $898 thousand. In 1990, the Department projects potential obligations of $225 thousand depending of the interest of eligible grantees. The $225 thousand consists of carryover balances from 1989 ($125 thousand) and estimated recaptures ($100 thousand).

Assistance for Solar and Conservation Improvements

As of December 31, 1990, a total of $81.3 million was obligated (net of recaptures) in this account including $1.3 million for HUD salaries and expenses and $80 million to program participants. Of the $80 million, the program participants had disbursed a total of $79.2 million. Of this total, $72.4 million was for project subsidies, of which $60 million was provided to low- and moderate-income applicants. A summary distribution of these disbursements follows:

	(Dollars in Thousands)
1-4 Family Energy Conservation Projects	$54,641
1-4 Family Solar Energy Projects	8,400
Multifamily Energy Conservation Projects	8,000
Multifamily Solar Energy Projects	221
Commercial/Agricultural Energy Conservation Projects	416
Commercial/Agricultural Solar Energy Projects	672
Subtotal, Project Subsidies	72,350
Administrative and Promotional Costs by States	6,850
Transfers for HUD Salaries and Expenses	1,328
Total Disbursements	80,528

STATUS OF FUNDS

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Unobligated balance, start of year	$2,340	$125	...
Appropriation	...	...	...
Recoveries of prior year obligations	337	180	...
Total Available	2,677	305	...
Obligations	-898	-225	...
Unobligated balance lapsing	-1654	-80	...
Unobligated balance, end of year	125	...	...

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

REVOLVING FUND (LIQUIDATING PROGRAMS)

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Income					
Repayments of loans and advances	$1,901	$54	$54	$54	...
Interest and other income.......	1,964	...	-4	...	+4
Total, Income...................	3,865	54	50	54	+4
Repayments of Investment to the Treasury: Cumulative.............	1,458,478	1,433,478	1,473.478	1,488,478	+15,000
Net Book Value, End of Year.......	138,908	155,140	117,320	94,028	-23,492
Budget Outlays.....................	6,145	6,373	6,373	8,445	+2,072

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The expenses of the Revolving Fund (Liquidating Programs) are financed from repayments of loans and advances; therefore, no appropriation is requested.

The Budget proposes terminating the Section 312 Rehabilitation Loan Fund program at the end of 1990 and transferring its assets and liabilities to the Revolving Fund.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The 1990 Budget projected that a $125 million dividend could be paid to the U. S. Treasury in 1989 bringing cumulative repayments to the Treasury to $1,433,478 thousand. However, based on an analysis at year-end of available cash, actual liabilities, and contingent liabilities, the dividend was increased by $25 million. The main reason for the large dividend in 1989 was the 1988 sale of Public Facility Loan assets.

Actual net outlays ($6.1 million) were less than the $10.8 million estimate because of larger than projected income. In 1988, there remained a number of Public Facility Loans (PFL) which were delinquent and were not offered for public sale. For those debentures not offered for public sale, the Department did not project any repayments would be received. However, one of these debentures was brought current and which accounted for most of the repayment income received in 1989.

In 1989, incremental income of about $100 thousand a month was collected on the PFLs which were not included in the 1988 sale of the portfolio. Also, the Trustee for the PFL sale reimbursed the Department for $811 thousand. This reimbursement had not been anticipated in the 1989 estimates.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 estimate for cumulative repayments to the Treasury is higher than the estimate in last year's budget by $40 million. This reflects the higher than estimated payment in 1989 plus another $25 million in 1990. This 1990 payment is estimated as a result of reduced requirements for contingencies related to the Public Facility Loan program asset sale and reduced requirements relating to guarantees of New Communities debentures.

EXPLANATION OF INCREASES AND DECREASES

The decreases in net book value reflect the liquidation of assets and disbursement of obligated balances. Outlays increase because increased disbursements are required to retire certain New Communities debentures.

Revolving Fund (Liquidating Programs)

FUND DESCRIPTION

The Revolving Fund (Liquidating Programs) was established by the Independent Offices Appropriation Act, 1955, to provide a single fund to assist in the efficient liquidation of assets acquired under various housing and urban development programs. The assets of certain war and emergency housing constructed under the Lanham and Related Acts, Alaska Prefabricated Housing, War Public Works, Defense Community Facilities and Reconstruction Finance Corporation public agency loan programs initially were included in this Fund. At the end of 1970, the Public Works Planning Advances, Grants to Aid Advance Acquisition of Land, and the Alaska Housing Grants and Loans programs were terminated and the assets were transferred to this Fund for liquidation.

In 1975, the assets and liabilities of four community development categorical programs comprised of Basic Water and Sewer Facilities, Neighborhood Facilities, Open Space Land, and Public Facility Loans were included in the Fund pursuant to Section 117(b) of the Housing and Community Development Act of 1974 which provided for such transfers to facilitate liquidation of the programs. In 1984, the New Communities program was transferred to the Revolving Fund; and, on October 1, 1986, the Urban Renewal Programs were transferred to the Fund.

The Section 312 Rehabilitation Loan program is proposed for termination at the end of 1990, and the assets and liabilities would be transferred to the Revolving Fund.

PROGRAM ACTIVITY

The following table shows the status of the Revolving Fund for each fiscal year.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
SOURCE OF FUNDS			
Unobligated balance available, start of year	$237,343	$95,636	$80,376
Receipts:			
Income	1,964	...	...
Repayments	1,901	50	54
Recovery of prior year obligations	4,585	...	...
Total Source of Funds	245,793	95,686	80,430
APPLICATION OF FUNDS			
Obligations incurred	157	310	235
Repayment to the U.S. Treasury	150,000	15,000	15,000
Total Application of Funds	150,157	15,310	15,235
Unobligated balance available, end of year	95,636	80,376	65,195

1. SUMMARY OF PROGRAMS INCLUDED IN THE REVOLVING FUND

As of September 30, 1989, program assets were approximately $142,736 thousand with a net book value of $138,908 thousand after allowances for losses. At the end of 1989, $1,458,478 thousand had been recovered and transferred to the Treasury.

a. Original programs. The programs included in the Revolving Fund by the Independent Offices Appropriation Act, 1955, had been capitalized with more than $2.5 billion. However, when the Revolving Fund was established, effective June 30, 1954, net assets had been reduced to $899.6 million.

b. Programs included in 1971. The Public Works Planning Advances, Advance Acquisition of Land and Alaska Housing programs were terminated at the end of fiscal year 1970 and their assets were transferred into this Fund for liquidation in 1971.

c. Programs included in 1975. New approvals for Basic Water and Sewer Facilities, Open Space Land, Neighborhood Facilities and Public Facility Loans programs were discontinued in 1973. The Housing and Community Development (HCD) Act of 1974 terminated these programs in 1975 and authorized the transfer of program assets into this Fund for liquidation.

Revolving Fund (Liquidating Programs)

d. Program included in 1984. The assets and the liabilities of the New Communities program were transferred into the Revolving Fund in 1984.

e. Program included in 1987. The HCD Act of 1974 also terminated the Urban Renewal Programs in 1975 and authorized the transfer of program assets into this Fund for liquidation. This transfer was accomplished in 1987.

2. SUMMARY OF VARIOUS ASSETS WITHIN THE REVOLVING FUND

Assets are as follows:

SUMMARY OF ASSETS (End of Year)
(Dollars in Thousands)

	ACTUAL 1988	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Urban Renewal........................	$669	$616	$566	$512
Public Agency Loans..................	752	649	649	649
Public Works Planning................	...	...	...	...
Public Facility Loans................	27,288	25,243	24,935	24,888
New Communities......................	...	...	...	...
Cash and other assets................	268,687	112,400	91,370	67,979
Total............................	297,396	138,908	117,520	94,028

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion of the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years -- 1989, 1990, and 1991.

BUDGET ACTIVITY 4: COMMUNITY PLANNING AND DEVELOPMENT

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Total Budget Activity.................	$58,025	$53,756	$60,296	$62,280	+$1,984
Full-Time Permanent Appointments, End of Year........................	1,077	972	1,068	1,130	+62
Full-Time Equivalents.................	1,127.6	995.0	1,088.0	1,114.0	+26.0
Staff-Years...........................	1,135.3	1,013.0	1,106.0	1,132.0	+26.0

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The 1991 Budget proposes a funding level of $62,280 thousand, an increase of $1,984 thousand from the 1990 level of $60,296 thousand. A staffing level of 1,132.0 staff-years is proposed, which is an increase of 26.0 staff-years to the 1990 Current Estimate. The proposed staffing level and related costs are consistent with program levels proposed for 1991.

FUNDING

The following table shows the actual obligations, by object class, for 1989 and estimated obligations for 1990 and 1991 for this activity.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Personal Services......................	$51,175	$45,069	$52,376	$53,397	+$1,021
Travel and Transportation of Persons..	1,202	1,100	1,238	1,285	+47
Transportation of Things..............	22	37	34	37	+3
Rent, Communications and Utilities....	587	658	602	616	+14
Printing and Reproduction.............	291	325	308	313	+5
Other Services........................	4,213	5,990	5,249	6,058	+809
(ADP Services)........................	(3,458)	(4,918)	(4,179)	(5,008)	(+829)
(Selected Contracts)..................	(465)	(540)	(543)	(522)	(-21)
Supplies and Materials................	357	375	390	391	+1
Furniture and Equipment...............	174	200	97	181	+84
Insurance and Indemnities.............	4	2	2	2	...
Total.................................	58,025	53,756	60,296	62,280	+1,984

Salaries and Expenses, Housing and Urban Development
Budget Activity 4: Community Planning and Development

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $58,025 thousand were $1,096 thousand more than the previous estimate of $56,929 thousand. The higher than anticipated obligations consist of an increase of $2,444 thousand for personal services reflecting the use of 48.3 staff-years more than previously projected, partially offset by a net decrease of $1,348 thousand in support costs, due to less than anticipated obligations for supplies, equipment procurement and automated data processing support.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget Estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$53,756
Add Congressional action on 1990 Budget request	+4,787
Deduct funds required for sequestration and other reductions	-2,895
Deduct for staff transfer to Office of Drug-Free Neighborhoods	-55
Add support staff transferred from the Office of Housing for consolidation of Homeless programs	+2,250
Add all other personal services changes	+3,220
Deduct revised estimate for support costs	-767
Current 1990 estimate	60,296

The difference in staffing and funding levels from the Budget to the 1990 Current Estimate reflects the net of Congressional action, the Section 517 reduction, sequestration and other repricing changes. Funding changes are as follows:

-- the addition by the Congress of 103.0 staff-years to support their approval of higher than requested program levels required an increase of $4,787 thousand;

-- the appropriation reduction, sequestration and personal services repricing required a decrease of $2,895 thousand in personal services;

-- the transfer of 1.0 staff-year to the Office of General Counsel to establish the Office of Drug-Free Neighborhoods resulted in a reduction of $55 thousand;

-- the consolidation of all homeless programs within CPD resulted in increases of 59.0 staff-years and $2,250 thousand;

-- all other personal services changes, including the 1990 pay raise ($1,462 thousand) and increasing personal services costs, resulted in an increase of $3,220 thousand; and

-- the appropriation reduction and sequestration, as well as other repricing based on current requirements, resulted in a decrease of $767 thousand in support costs.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$58,025	$60,296
Changes to staffing level	-1,293	+1,016
Fiscal year 1990 general pay raise	+1,462	+356
Fiscal year 1991 general pay raise	...	+713
Fiscal year 1991 Executive pay raise	...	+81
Rising average salaries and benefits costs	+1,032	...
Budgeted reduction in average cost per staff-year	...	-1,145
Change in travel costs	+36	+47
Change in automated data processing costs	+721	+829
Changes in equipment maintenance	+245	...
Changes in other support costs	+68	+87
Total obligations	60,296	62,280

There are net increases of $1,201 thousand and $1,021 thousand for personal services in 1990 and 1991, respectively. The changes reflect the following:

-- the 29.3 staff-year decrease during 1990 results in a funding decrease of $1,293 thousand, and the proposed 26.0 staff-year increase in 1991 results in a funding increase of $1,016 thousand. The 1990 decrease from the 1989 actual level is the net result of a decrease of 88.3 staff-years, including the 1.0 staff-year transferred to the Office of Drug-Free Neighborhoods in the Office of General Counsel, partially offset by the increase of 59.0 staff-years transferred from the Office of Housing in connection with the consolidation of Homeless programs in CPD;

-- the general pay raise which became effective during January 1990 is estimated to require an increment of $1,462 thousand during 1990 and a further increment of $356 thousand during 1991;

-- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $713 thousand shown would cover a portion of the total requirement;

-- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $81 thousand shown would cover a portion of this requirement;

-- rising average salaries and benefits costs will require an additional $1,032 thousand in 1990; and

-- a budgeted reduction of $1,145 thousand in the average cost per staff-year in 1991 reflects the requirement to absorb pay raises and other personal services increases.

Support costs increase $1.070 thousand and $963 thousand in 1990 and 1991, respectively. The changes reflect the following:

-- changes in travel costs require increases of $36 thousand and $47 thousand in 1990 and 1991, respectively. The increases are consistent with the staff levels and program requirements to be supported;

-- changes in automated data processing (ADP) services require increases of $721 thousand and $829 thousand in 1990 and 1991, respectively. The 1990 increase reflects greatly increased ADP support for systems development for the Homeless programs. The 1991 increase reflects increased systems development to support the Secretary's program and financial management reform initiatives;

-- changes to all other non-personal services costs, such as supplies, printing, equipment maintenance result in net increases of $68 thousand and $87 thousand in 1990 and 1991 respectively.

4. CONTRACTS

The table below identifies selected contract requirements unique to this activity. The table is followed by a description of each of the items requested for 1991.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Training Contracts					
Workshops, Seminars and Conferences for Non-Federal Personnel..........	...	$25	$25	...	-$25
Data and Statistical Services					
Bureau of the Census Data...........	$200	157	196	$200	+4
Bureau of Labor Statistics..........	3	3	7	7	...
Subtotal.........................	203	160	203	207	+4
Public Information Services					
CPD Programs Publications...........	20	20	20	20	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 4: Community Planning and Development

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Technical Services					
CDBG, Homeless, Indian CDBG, and Section 108 Support	$187	$200	$200	$200	...
LOGIN	5	5	5	5	...
CIRRPC	50	50	50	50	...
Environmental Hazards	...	40	...	40	+40
Necessary and Appropriate Determinations (CDBG)	...	40	40	...	-40
Subtotal	242	335	295	295	...
Total	465	540	543	522	-21

a. Bureau of the Census Data.. $200 Thousand

These funds are needed to secure census data to determine allocations and eligibility for the CDBG, Rental Rehabilitation, and Emergency Shelter Grants programs.

b. Bureau of Labor Statistics.. $7 Thousand

This interagency agreement covers the cost of acquiring Census' review and certification for nominated Enterprise Zones.

c. CPD Programs Publications.. $20 Thousand

These funds support work in the design and execution of technical publications which support Community Planning and Development programs. These publications demonstrate how local public and private sectors, working together as partners, are critical to the success of the local projects. This proposed contract funding would be used for development and production support.

d. CDBG, Homeless, Indian, UDAC and Section 108 Support.. $200 Thousand

These funds are needed to enable CPD to continue to content analyze, code, edit, computer process and graphically present information pertaining to the CDBG Entitlement, State CDBG and HUD-Administered Small Cities programs, CPD Homeless-related information, the Indian CDBG program, the Section 108 program, and related CPD-administered programs. This information is used to prepare the statutorily-mandated Consolidated Annual Report to Congress; to meet continuing HUD and CPD management, grantee monitoring, and oversight needs; and to prepare short-term management and monitoring related reports concerning CPD programs requested by the Secretary, Assistant Secretary, program managers, the Office of Management and Budget, the General Accounting Office and the Congress.

e. LOGIN.. $5 Thousand

These funds provide a subscription to the Local Government Information Network (LOGIN), a commercial computer data base that contains over 25,000 items of information on local government initiatives and items of local government interest. It includes an electronic network that provides the capability for CPD staff to exchange ideas and to provide suggestions concerning local government projects to cities, States and organizations that also participate in LOGIN.

f. CIRRPC.. $50 Thousand

These funds are used for the Department's pro rata share to fund activities of the Committee on Interagency Radiation Research and Policy Coordination (CIRRPC) and its subordinate Radiation Science Panel. CIRRPC and the panel are under the jurisdiction of the Office of Science and Technology, Office of the President. They are concerned with all facets of radiation and radioactive materials, including radon. HUD is represented on the Committee by the Office of Environment and Energy in CPD. All Federal agencies with responsibilities and interest in radiation and radioactive materials participate in and are asked to support the interagency program.

g. Environmental Hazards.. $40 Thousand

These funds will be used for special contracts to deal with complex site hazard issues including: (a) sites affected by hazardous industrial and commercial activities of an explosive or fire prone nature and other site specific hazards, (b) indoor air quality, (c) technical analyses of sites potentially affected by radon, and (d) to develop and issue technical procedures and criteria for correcting excess radon levels in existing housing and other HUD-assisted projects, and for preparing technical methodologies for preventing the entry of radon in the new housing construction assisted by the Department. Task orders will be developed to carry out this activity. This approach is cost effective as it will provide technical skills without additional Headquarters or field office staff.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The staff funded under this activity administer the Community Development Block Grant (CDBG) program, including the Entitlement program, the State and HUD-Administered Small Cities program, and Special Purpose Grants (formerly the Secretary's Discretionary Fund), plus the Rental Rehabilitation and the Urban Homesteading programs, as well as the following assistance programs for the homeless: Emergency Shelter Grants; Transitional and Supportive Housing Demonstration; Permanent Housing for the Handicapped Homeless; Supplemental Assistance for Facilities to Assist the Homeless; the Comprehensive Homeless Assistance Plan; and the proposed Rental Housing Assistance for the Homeless Program. Community Planning and Development (CPD) has Departmentwide responsibility in the areas of energy, relocation and acquisition policies and standards, and environmental functions, as well as the Administration's Enterprise Zone initiative. The UDAG program, the Section 312 Rehabilitation Loan program and Section 108 Loan guarantees, all proposed for termination in 1991, will continue to require staff resources for management pending completion of workload already in the pipeline and for loan servicing related activities (Section 312 only). Finally, CPD has management responsibility for the Revolving Fund (Liquidating Programs), and for the residual activity of the Solar Energy and Energy Conservation Bank (SEECB).

2. WORKLOAD

The largest share of the workload under Community Planning and Development programs is directly related to the Community Development Block Grant program, including the Special Purpose Grants. CPD has a large monitoring workload in the areas of relocation and environmental concerns, and also manages the Rental Rehabilitation and Urban Homesteading programs and several homeless assistance programs. Uncompleted activity currently remains for the UDAG program and will also remain under the Section 312 Rehabilitation Loan Program following termination at the end of 1990, and under the appropriation "Assistance for Solar and Conservation Improvements." Finally, it also has responsibility for managing the Revolving Fund (Liquidating Programs).

3. SUMMARY OF STAFFING REQUIREMENTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters........................	261	217	261	255	-6
Field...............................	816	755	807	875	+68
Total, Full-Time Permanent Appointments, End of Year.......	1,077	972	1,068	1,130	+62

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

Salaries and Expenses, Housing and Urban Development
Budget Activity 4: Community Planning and Development

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters	285.2	233.1	280.0	270.8	-9.2
Field	850.1	779.9	826.0	861.2	+35.2
Total, Staff-Years	1,135.3	1,013.0	1,106.0	1,132.0	+26.0

The increase of 96 positions and 93.0 staff-years between the 1990 Budget estimate and current estimate reflects Congressional action to continue the Section 108 Loan Guarantees and Section 312 Rehabilitation Loan programs, and provide funding for the Emergency Shelter Grants program. The increase also reflects the transfer to CPD of the Transitional and Supportive Housing program from Housing and Supplemental Assistance for Facilities to Assist the Homeless from Policy Development and Research.

The increase of 62 positions and 26.0 staff-years between the 1990 current estimate and the 1991 Budget estimate reflects a restoration of the 1990 overall staff shortfall for CPD programs and activities. The increases represent net changes in requirements, with increases in the Field, primarily for CDBG Entitlement Grants and Urban Homesteading, partially offset by lower requirements in Headquarters, including oversight of the UDAG program.

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel	1,096.5	1,074.0	1,107.3
Temporary and Part-Time Employees	31.9	14.9	7.6
Overtime	1.9	1.1	1.1
Terminal Leave	5.0	16.0	16.0
Total Staff-Years	1,135.3	1,106.0	1,132.0

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment, and special employment programs, which include employment of the handicapped, Vietnam veterans and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within CPD.

1. HEADQUARTERS EMPLOYMENT

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of Assistant Secretary	12	10	12	12	...
Office of Management	37	33	37	35	-2
Emergency Food and Shelter Program	...	6	...	...	...
Immediate Office of the Deputy Assistant Secretary for Program Management	3	4	3	3	...
Office of Block Grant Assistance	35	33	35	35	...
Office of Urban Rehabilitation	33	28	33	33	...
Office of Special-Needs Assistance	...	...	30	30	...
Immediate Office of the Deputy Assistant Secretary for Program Policy Development and Evaluation	3	4	3	3	...
Office of Urban Development Action Grants	39	14	39	36	-3

Salaries and Expenses, Housing and Urban Development
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	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Office of Program Analysis and Evaluation	25	13	10	10	...
Office of Program Policy Development.....	22	19	22	21	-1
Immediate Office of the Deputy Assistant Secretary for Program Development.......	...	3	...	...	...
Office of Field Operations and Monitoring	27	26	12	12	...
Office of Environment and Energy..........	25	24	25	25	...
Total Full-Time Permanent Appointments, End of Year..........................	261	217	261	255	-6

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of Assistant Secretary..	13.1	10.0	12.9	12.9	...
Office of Management......................	40.4	33.0	39.7	37.1	-2.6
Emergency Food and Shelter Program.......	...	6.0	...	...	...
Immediate Office of the Deputy Assistant Secretary for Program Management.........	3.3	4.0	3.2	3.2	...
Office of Block Grant Assistance..........	38.3	33.9	37.6	37.6	...
Office of Urban Rehabilitation............	36.1	28.9	35.4	35.4	...
Office of Special-Needs Assistance.......	...	...	32.2	32.2	...
Immediate Office of the Deputy Assistant Secretary for Program Policy Development and Evaluation..............	3.3	4.0	3.2	3.2	...
Office of Urban Development Action Grants	42.6	22.6	41.8	37.8	-4.0
Office of Program Analysis and Evaluation	27.3	18.3	10.7	10.7	...
Office of Program Policy Development.....	24.0	19.0	23.6	21.0	-2.6
Immediate Office of the Deputy Assistant Secretary for Program Development.......	...	3.0	...	...	...
Office of Field Operations and Monitoring	29.5	26.4	12.9	12.9	...
Office of Environment and Energy..........	27.3	24.0	26.8	26.8	...
Total Staff-Years.......................	285.2	233.1	280.0	270.8	-9.2

The Headquarters staff is responsible for providing overall supervision and direction in the administration of Community Planning and Development programs and activities and for assuring uniform administration and efficient management of Federal assistance activities. This includes: (1) development, promulgation, execution and control of policies, procedures, standards and advisory materials; (2) evaluation of CPD programs to determine their effectiveness in meeting National goals and objectives and local needs; (3) coordination of program resources through the distribution of program funds and staffing resources among Field Offices; (4) final review and recommendations for approval/disapproval of Section 108 Loan Guarantee applications (in 1990 only); (5) sanctions against grantees including reductions, disapprovals and contract conditions; (6) evaluation of Field Office performance and training of Field office staff; (7) management of the Revolving Fund (Liquidating Programs) which now includes the residual activity associated with the New Communities Program and the Urban Renewal Programs; (8) coordination and oversight of Departmentwide responsibilities under the National Environmental Policy Act and related statutes, the Uniform Relocation Act, and HUD's energy mandates; (9) debt collection for CPD programs; (10) administration of headquarter's responsibility for Enterprise Zone Development; (11) administration of the residual activity remaining in Solar Energy and Energy Conservation Bank, and (12) managing three national competitions for the Special Needs Programs.

The 1990 current estimate reflects a reorganization to accomodate all Homeless programs within CPD. The Office of Special Needs Assistance was created in 1990 to organizationally bring together the Transitional and Supportive Housing, Permanent Housing for the Handicapped Homeless, the Emergency Shelter Grants and the Supplemental Assistance for Facilities to Assist the Homeless programs.

2. FIELD OFFICE EMPLOYMENT

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
CDBG:					
Entitlement......................	414.9	384.1	383.1	424.0	+40.9
Small Cities-HUD Administered...	26.1	18.5	20.5	12.6	-7.9
State Program....................	40.6	46.1	36.5	43.3	+6.8
Indians..........................	42.6	42.8	35.8	35.6	-0.2
Other Secretary's Fund...........	7.6	7.3	7.1	5.3	-1.8
Subtotal CDBG................	531.8	498.8	483.0	520.8	+37.8
UDAG.............................	68.0	72.8	49.4	46.1	-3.3
Rental Rehabilitation Grants......	61.2	55.2	50.9	50.8	-0.1
Rehabilitation Loans..............	24.4	10.0	31.2	15.0	-16.2
Urban Homesteading................	16.3	14.6	14.9	30.7	+15.8
Relocation/Acquisition............	33.8	28.5	36.8	36.4	-0.4
Environment and Energy............	67.5	68.9	65.8	62.5	-3.3
Special Needs Programs............	32.8	13.1	78.0	82.9	+4.9
Liquidating Programs..............	5.3	1.9	4.7	4.7	...
Enterprise Zones..................	4.8	4.8	...	...	...
Terminal Leave....................	4.2	11.3	11.3	11.3	...
Total Staff-Years...............	850.1	779.9	826.0	861.2	+35.2
Total Full-Time Permanent Appointments, End of Year.....	816	755	807	875	+68

The Department uses a productivity-based system for developing Field staff requirements, the Resource Allocation Guidelines System (RAGS). The following table indicates units of production used in this activity to establish staffing levels and for which productivity criteria have been established on the basis of past performance. The staffing levels reflect the current best estimates of requirements for the items indicated based upon past experience modified by consideration of recent procedural program and organizational changes, Field office performance as reflected in audits and performance reviews, and reduced workloads anticipated as a result of program reductions, terminations or changes resulting from legislative proposals. The table is followed by a more detailed discussion of the individual items.

Salaries and Expenses, Housing and Urban Development
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DETAIL OF FIELD STAFFING

RESOURCE ALLOCATION GUIDELINES	INDICATOR (work unit)	FISCAL YEAR 1989			FISCAL YEAR 1990			FISCAL YEAR 1991		
		ACTUAL ACCOMPLISH-MENT	ACTUAL UNIT HOURS	STAFF-YEARS	PROJECTED ACCOMPLISH-MENT	PROJECTED UNIT HOURS	STAFF-YEARS	PROJECTED ACCOMPLISH-MENT	PROJECTED UNIT HOURS	STAFF-YEARS
CDBG:										
ENTITLEMENT PROGRAM:										
Metro Cities........	Grantees	723	971	337.7	741	874	311.3	741	971	344.6
Urban Counties......	Grantees	121	1,327	77.2	125	1,194	71.8	125	1,327	79.4
Subtotal Entitlements				414.9			383.1			424.0
SMALL CITIES PROGRAM:										
Apps Processed......	Applications	177	58	4.9	177	52	4.4	0	0	...
Small Cities-HUD Administered.......	Grants	485	91	21.2	410	82	16.1	320	82	12.6
State Program.......	Grantees	49	1,722	40.6	49	1,550	36.5	51	1,772	43.3
INDIAN PROGRAM:										
Indian Apps..........	Applications	221	87	9.2	246	78	9.3	246	78	9.2
Indian Program Mgmt.	Grantees	269	269	33.4	228	242	26.5	228	242	26.4
Subtotal Indians...				42.6			35.8			35.6
SPECIAL PURPOSE......	Grants	226	70	7.6	233	63	7.1	174	63	5.3
Subtotal CDBG......				531.8			483.0			520.8
UDAG:										
Apps Reviewed........	Applications	171	100	8.2	0	0	...	0	0	...
Active Grants........	Grants	1,566	51	38.4	1,444	46	31.9	1,250	46	27.5
Grants Monitored.....	Grants	587	41	11.6	600	37	10.6	550	37	9.7
Grants Closed Out....	Grants	249	82	9.8	194	74	6.9	250	74	8.9
Subtotal UDAG......				68.0			49.4			46.1
RENTAL REHABILITATION:										
Apps Reviewed........	Applications	523	41	10.3	523	37	9.3	523	37	9.3
Active Grantees......	Grantees	612	123	36.2	602	111	32.1	602	111	32.0
Monitoring...........	Localities	623	49	14.7	450	44	9.5	450	44	9.5
Subtotal RR........				61.2			50.9			50.8

DETAIL OF FIELD STAFFING (CONTINUED)

RESOURCE ALLOCATION GUIDELINES	INDICATOR (work unit)	FISCAL YEAR 1989			FISCAL YEAR 1990			FISCAL YEAR 1991		
		ACTUAL ACCOMPLISH-MENT	ACTUAL UNIT HOURS	STAFF-YEARS	PROJECTED ACCOMPLISH-MENT	PROJECTED UNIT HOURS	STAFF-YEARS	PROJECTED ACCOMPLISH-MENT	PROJECTED UNIT HOURS	STAFF-YEARS
REHABILITATION LOANS:										
Loans Obligated......	Loans	352	119	20.1	2,700	19	24.9	NA	NA	...
Monitoring...........	Localities	169	53	4.3	272	48	6.3	NA	NA	...
Subtotal RL........				24.4			31.2			15.0
URBAN HOMESTEADING:										
Properties...........	Properties	741	38	13.6	1,375	19	12.4	2,780	20	26.6
Monitoring...........	LUHA'S	78	71	2.7	82	64	2.5	134	64	4.1
Subtotal UH........				16.3			14.9			30.7
RELOCATION/ACQUISITION.	Programs	1,498	47	33.8	1,808	42	36.8	1,808	42	36.4
ENVIRONMENT AND ENERGY:										
CPD Programs.........	Programs	3,695	13	23.8	4,129	12	24.7	3,937	12	22.6
UDAG Apps............	Applications	171	19	1.6	...	...	...	...	...	...
Monitoring...........	Visits	897	45	19.4	800	41	15.6	800	41	15.7
Housing Analyses.....	Analyses	2,735	8	10.5	3,500	7	12.1	3,500	7	11.7
Housing Support......	Projects	12,734	2	12.2	15,505	2	13.4	13,000	2	12.5
Subtotal Environ...				67.5			65.8			62.5
SPECIAL NEEDS PROGRAMS:										
Emergency Shelter Grants:										
Apps Reviewed........	Applications	383	71	13.1	376	64	11.6	376	71	12.8
Active Grantees......	Grantees	366	112	19.7	376	101	18.2	376	112	20.2
Subtotal ESG.......				32.8			29.8			33.0
Other Special Needs....	Projects		NA	NA	564	178	48.2	564	185	49.9
Subtotal SPN.......				32.8			78.0			82.9
LIQUIDATING PROGRAMS...	Programs	90	122	5.3	90	110	4.7	90	110	4.7
ENTERPRISE ZONES.......	Zones	NA	NA	4.8	NA	NA	...	NA	NA	...
TERMINAL LEAVE.........				4.2			11.3			11.3
TOTAL STAFF YEARS....				850.1			826.0			861.1

Salaries and Expenses, Housing and Urban Development
Budget Activity 4: Community Planning and Development

a. Community Development Block Grants

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE − DECREASE + 1991 vs 1990
Entitlement	414.9	383.1	424.0	+40.9
Small Cities-HUD administered	26.1	20.5	12.6	-7.9
State program	40.6	36.5	43.3	+6.8
Indian program	42.6	35.8	35.6	-0.2
Other Secretary's Fund	7.6	7.1	5.3	-1.8
Total Staff-Years	531.8	483.0	520.8	+37.8

Staffing allocated for Field administration of the CDBG program are decreasing from 1989 to 1990 because of the overall shortfall of staff resources resulting from sequestration and other reductions from the level enacted by the Congress. A partial restoration of staff resources for CDBG is proposed for 1991, primarily for Entitlement Grants. The following table reflects the magnitude of workload related to the funding levels for the 3 years covered in this Justification.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE − 1991 vs 1990
Entitlement grantees	844	866	866	...
States administering small cities (number of States)	49	49	51	+2
HUD-administered small cities (number of active grants)	485	410	320	-90
Indian program (active grantees)	258	228	228	...
Other Secretary's Fund (active grants)	226	233	174	-59

Field staff responsibilities for the Community Development Grant program in 1991 are based on the following areas of workload:

- -- dissemination of program information to current and prospective recipients, including States and Federal agencies;
- -- receipt and review of entitlement statements and grantee performance reports;
- -- receipt and review of State submissions and annual performance reports;
- -- provision of technical assistance to entitled cities and States to improve program efficiency and effectiveness and aid grantees in avoiding or correcting compliance problems;
- -- review of some applications for assistance under Special Purpose Grants;
- -- review and approval of applications for Indian CDBG funds in six Field Offices;
- -- compilation of basic data for reporting on the use of funds to the President, the Congress, and the public;
- -- on-site monitoring of grantee's activities and records including issuance of a written report of findings and follow-up to ensure resolution of findings;
- -- resolution of audit findings. All grantees are required to have an audit conducted of expenditures not less often than every 2 years. In addition, the Inspector General conducts audits of selected grantees each year. Findings made by auditors must be analyzed by HUD staff to determine whether the grantee actually violated program rules. This represents a significant workload because of the complexity of the program and the degree of discretion grantees have in spending CDBG funds. If HUD confirms that grantee performance has been deficient, considerable time and effort is required to determine and implement an appropriate sanction. The Audit Management System establishes a period of time for all issues to be resolved, and it is the responsibility of CPD Field staff to meet this schedule; and

— provision of training, information, and technical assistance to local programs.

Grantees are required to submit annual performance reports to HUD concerning the uses of their CDBG funds. HUD is required to review grantees' performance, at least annually, in order to determine whether they have met program requirements and all applicable laws.

The Department's monitoring responsibility with regard to the CD Grant program is stated in Section 104(e) of Title I of the Housing and Community Development Act of 1974, as amended. Section 104(e) provides that "The Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine:

(1) in the case of grants made under Section 106(b) or Section 106(d)(2)(B) [the entitlement program and the HUD-administered nonentitlement program], whether the grantee has carried out its activities in a timely manner, whether the grantee has carried out those activities and its certifications in accordance with the requirements and the primary objectives of this title and with other applicable laws, and whether the grantee has a continuing capacity to carry out those activities in a timely manner; and

(2) in the case of grants to States made under Section 106(d) [the State administered nonentitlement program], whether the State has distributed funds to units of general local government in a timely manner and in conformance to the method of distribution described in its statement, whether the State has carried out its certifications in compliance with the requirements of this title and other applicable laws, and whether the State has made such reviews and audits of the units of general local government as may be necessary or appropriate to determine whether they have satisfied the applicable performance criteria."

In addition, CPD staff is involved in general project management and servicing, which includes financial management, routine and Congressional correspondence, litigation activities, meetings held at localities' requests, GAO audit activities, telephone communication, technical assistance and responses to complaints.

b. Urban Development Action Grants (UDAG)

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Staff-Years....................................	68.0	49.4	46.1	-3.3
Number of grants active, start of year..........	1,566	1,444	1,250	-194

Staff levels are decreasing from 1989 to 1991 as a result of the termination of the program. Field staff responsibilities for the UDAG Program are based on the following areas of workload:

— processing release and disbursement of funds;

— monitoring and managing of program activities being carried out by grantees;

— closing out of projects once activities are completed;

— providing technical assistance to local public and private sector parties on all aspects of implementing and completing their action grant projects; and

— resolving audit findings.

c. Rental Rehabilitation Grants

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Staff-Years....................................	61.2	50.9	50.8	-0.1
Applications reviewed in year..................	523	523	523	...
Active Grantees................................	612	602	602	...

Staffing allocated for Field administration of the Rental Rehabilitation program is decreasing from 1989 to 1990 because of the overall shortfall of staff resources resulting from sequestration and other reductions from the level enacted by the Congress. Proposed staffing for 1991 is essentially level with 1990. Field offices will have the following responsibilities for the Rental Rehabilitation Grants program in 1991:

-- review localities' and States' applications to determine adherence to program requirements;

-- operate the discretionary Small Cities Rental Rehabilitation program in non-participating States;

-- coordinate Rental Rehabilitation activities with Housing staff to assure Housing vouchers are used effectively;

-- review program for compliance with other Federal laws and regulations and Rental Rehabilitation Grant policies and procedures, including statutory historic preservation requirements;

-- provide technical assistance to States/localities in project financing, lender participation, investor participation and subsidy mechanisms;

-- manage the reallocation of Rental Rehabilitation funds among program grantees;

-- resolve audit findings; and

-- closeout projects.

d. Rehabilitation Loans

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Staff-Years....................................	24.4	31.2	15.0	-16.2

The reduction in staff-years shown from 1990 to 1991 reflects the proposed termination of the program at the end of 1990. The 15.0 staff-years requested for 1991 are required to monitor construction management and close out existing loans.

e. Urban Homesteading

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Staff-Years..................................	16.3	14.9	30.7	+15.8
Properties....................................	741	1,375	2,780	+1,405

The slight decrease in staffing from 1989 to 1990 with the significant increase in properties reflects program growth anticipated during 1990. Workload and staffing will increase from 1990 to 1991 because of the increased funding level for the program proposed for 1991. Activities carried out by Field staff include the following:

-- assisting cities in the preparation of their homesteading applications for HUD-owned, Department of Veterans Affairs (VA) and Farmers Home Administration (FmHA) properties. The Resolution Trust Corporation (RTC) may also transfer properties to localities for homesteading;

-- reviewing applications to ensure that the proposed programs meet all statutory requirements, and approving or disapproving the applications;

-- working with HUD Housing staff to determine which HUD properties can be made available for homesteading, and providing similar assistance regarding VA, FmHA and RTC properties;

- — monitoring how communities are handling HUD properties that have been transferred; and
- — managing Urban Homesteading funds which are used to reimburse the HUD/FHA Mortgage Insurance Funds, Section 312 Loan Funds, the Department of Veterans Affairs, the Farmers Home Administration, and the Resolution Trust Corporation.

f. Relocation/Acquistion

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Staff-Years..................................	33.8	36.8	36.4	-0.4
Relocation/Acquistion Projects................	1,498	1,808	1,808	...

Workload and staffing is expected to increase from 1989 to 1990 because of the recent amendments to the Uniform Relocation Act, and remain steady in 1991.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) sets forth protections for the owners of real property acquired by a State agency for a federally assisted project or program. It also requires that relocation payments and other assistance be provided to persons displaced as a result of such acquisition. Recent amendments to the URA, extend relocation assistance requirements to persons displaced as a direct result of rehabilitation, demolition or privately undertaken acquisition for federally assisted programs. For HUD-assisted programs this expanded coverage will apply to displacements occuring on or after April 2, 1989. All HUD-assisted activities are subject to the URA. CDBG and UDAG-assisted activities are also covered by the new requirements of section 104(d) of the Housing and Community Development Act of 1974, as amended, which requires the replacement of low- and moderate-income housing demolished or converted to another use and the provision of certain relocation assistance to certain low- and moderate-income persons.

To determine whether persons are receiving the assistance required by law and program regulations, HUD Field staff conduct compliance monitoring site visits to review a sample of the relocation and acquisition records, interview displaced persons and persons whose property has been acquired, and inspect replacement housing units to which persons have moved. The timing of visits and the size of the sample reflect Field judgment of past locality performance. Other Field staff activities include the provision of technical assistance and training to local agency staff; and the review of grievances filed by displaced persons and the review of certain applications and reports. Under the State-administered Small Cities CDBG programs, the State now performs a similar role with respect to its subgrantees. HUD provides assistance to States and monitors State performance.

g. Environment and Energy

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Staff-Years..................................	67.5	65.8	62.5	-3.3
CPD Programs..................................	3,695	4,129	3,937	-192
Housing Analyses..............................	2,735	3,500	3,500	...

The decrease in staffing from 1989 to 1991 reflects the overall shortfall of staff resources available to manage CPD programs. A decrease in CPD Programs workload is anticipated in 1991.

Community Planning and Development has Departmentwide responsibility for environmental and energy concerns. This environmental responsibility includes implementation of the National Environmental Policy Act of 1969 as it relates to HUD programs, and implementation of related statutes, executive orders and regulations. The energy responsibility includes activities related to energy production, distribution and conservation supporting both housing and community development objectives. Technical assistance is provided directly to CDBG communities and indirectly through the application of State energy resources to communities' CDBG programs. The environmental staff provides assistance, advice, orientation and guidance to HUD applicants, potential applicants and clients--including CDBG communities and housing developers--on procedural and technical aspects of environmental assessments and compliance findings associated with related environmental laws. The McKinney Act providing for transitional housing and emergency shelter grants is expected to further increase the need for the aforementioned environmental support and assistance including new kinds of training for CPD Field staff who will be completing environmental reviews for nonprofit recipients. Environmental staff also have the responsibility to review other agencies' Environmental Impact Statements in HUD's areas of expertise. The environmental Field staff also provide technical environmental assistance and training to other HUD staff and coordinate responses under Executive Order 12372, participate in hazard mitigation teams, and cooperate with other agencies on large scale projects and special hazardous or sensitive areas.

h. Special Needs Programs

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Staff-Years..................................	32.8	78.0	82.9	+4.9
Emergency Shelter Active Grantees............	366	376	376	...
Other Special Needs-Projects.................	NA	564	564	...

CPD staffing allocated for Field administration of the Special Needs Programs are increasing from 1989 to 1991 due to the transfer of existing homeless programs from Housing and PD&R to CPD in 1990. Staffing is requested under this category to manage the Emergency Shelter Grants Program; the Transitional and Supportive Housing and Permanent Housing for the Handicapped Homeless Programs transferred from Housing; and the Supplemental Assistance for Facilities to Assist the Homeless Program transferred from PD&R. The above staffing will also be used to manage the proposed Rental Housing Assistance for the Homeless Program in 1991. Field staff activity includes the following:

-- dissemination of program information to current and prospective recipients;

-- annual review of the Comprehensive Homeless Assistance Plan (CHAP) and the annual CHAP performance report;

-- application processing, grant management, monitoring and grant closeout;

-- provision of technical assistance to improve program efficiency and effectiveness and aid grantees in avoiding or correcting compliance problems;

-- on-site monitoring of grantee's activities and records including issuance of a written report of findings and follow-up to ensure resolution of findings;

-- resolution of audit findings; and

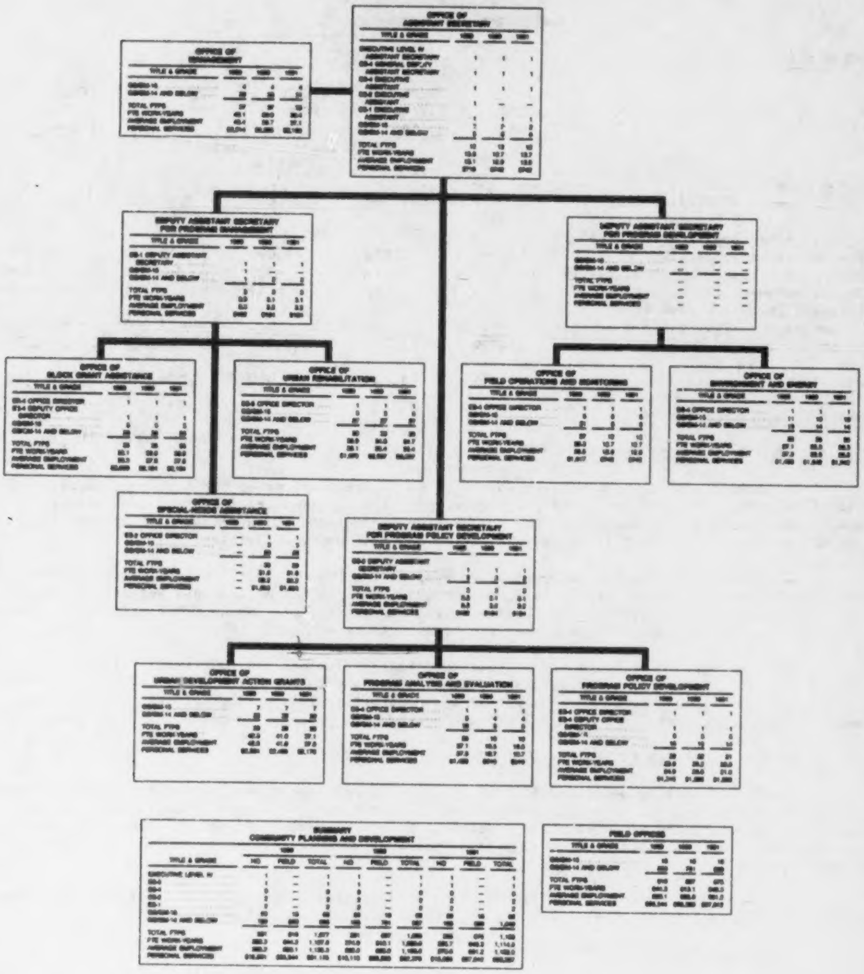
-- provision of training, information, and technical assistance to local programs.

i. Liquidating Programs

	ACTUAL 1988	ESTIMATE 1989	ESTIMATE 1990	INCREASE + DECREASE - 1991 vs 1990
Staff-Years..................................	5.3	4.7	4.7	...
Number of Programs...........................	90	90	90	...

This category primarily contains programs and projects in the Revolving Fund (Liquidating Programs). The major workload for Field staff is to oversee the remaining Public Facility Loan portfolio. Level workload and staffing are proposed.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
COMMUNITY PLANNING AND DEVELOPMENT
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)


OFFICE OF ASSISTANT SECRETARY
OFFICE OF MANAGEMENT
DEPUTY ASSISTANT SECRETARY FOR PROGRAM MANAGEMENT
DEPUTY ASSISTANT SECRETARY FOR PROGRAM DEVELOPMENT
OFFICE OF BLOCK GRANT ASSISTANCE
OFFICE OF URBAN REHABILITATION
OFFICE OF FIELD OPERATIONS AND MONITORING
OFFICE OF ENVIRONMENT AND ENERGY
OFFICE OF SPECIAL-NEEDS ASSISTANCE
DEPUTY ASSISTANT SECRETARY FOR PROGRAM POLICY DEVELOPMENT
OFFICE OF URBAN DEVELOPMENT ACTION GRANTS
OFFICE OF PROGRAM ANALYSIS AND EVALUATION
OFFICE OF PROGRAM POLICY DEVELOPMENT
SUMMARY COMMUNITY PLANNING AND DEVELOPMENT
FIELD OFFICES

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

POLICY DEVELOPMENT AND RESEARCH

RESEARCH AND TECHNOLOGY

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Program Levels:					
Obligations........................	$17,702	$21,500	$20,653	$48,100	+$27,447
Appropriations (Budget Authority):					
Enacted or Proposed................	17,200	21,400	21,000	23,000	+2,000
Approp. Act reduction (Sec. 517)..	...	...	-325	...	+325
Sequestration......................	...	...	-249	...	+249
Proposed Transfers from other Accounts..........................	...	...	...	25,000	+25,000
Total..........................	17,200	21,400	20,426	48,000	+27,374
Budget Outlays......................	20,404	18,724	18,300	28,000	+9,700

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget proposes $48 million for 1991, to be administered by the Assistant Secretary for Policy Development and Research (PD&R), for developing and implementing research, evaluations, demonstrations, and policy analysis. The Budget request includes $25 million to be transferred from other HUD accounts to support increased evaluation and monitoring activities.

Authorizing legislation is required to support the 1991 request, based on Title V of the Housing and Urban Development Act of 1970, as amended. Section 124 of the 1989 Reform Act authorizes a direct appropriation of $25 million for evaluation and monitoring. While HUD's proposal is similar to Section 124, it does not rely technically on that authorization.

Major efforts to be initiated or continued in 1991 include the multifamily stock study, evaluation of the extended low-income tax credit program, the rent control study and fair housing activities. The expanded agenda of evaluation and monitoring will provide information about the costs, impact, equity, and effectiveness of the Department's programs in achieving their goals.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The funds actually obligated in 1989 ($17.7 million) were approximately the same as estimated in the revised 1990 Budget. The appropriation of $17.2 million was higher than proposed due to Congress not enacting the Administration's proposed Budget reduction of $189 thousand. However, these additional appropriated funds were partially offset because of less recoveries of prior year obligations than had been anticipated.

Actual outlays were $20.4 million or $3.3 million above the projected $17.1 million. This was the result primarily of contractors billing HUD at a faster pace than anticipated.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The 1990 Budget appropriation request of $21.4 million was reduced by Congress to $21.0 million. This was further reduced by Section 517 of the 1990 Appropriations Act to $20.7 million and then, through sequestration of $249 thousand, to $20.4 million. The decreases in the obligation and outlay estimates are directly related to the reduced appropriation, offset by $127 thousand of unobligated funds carried over from 1989.

Research and Technology

Changes in 1990 funding amounts between categories reflect an increase in the Safety and Standards category resulting primarily from funding the lead-based paint abatement studies and housing technology activities required by the Conference Report on the 1990 Appropriations Act, partially offset by a portion of the general reduction also mandated by the Conference Report. The general reduction, together with the sequestration and Section 517 reduction, results in less funding for the other categories as well, except for the Housing Programs category which, as indicated in the Operating Plan, is being maintained at the $4 million originally proposed.

The total of the 1990 estimates also are $100 thousand higher than shown in the Operating Plan. This is due to $100 thousand of recaptures being included within the Research Support category but not reflected in the Operating Plan.

EXPLANATION OF INCREASES AND DECREASES

Increases in the 1991 estimates directly result from the increased appropriation request, which is necessary to meet the anticipated research and evaluation needs of the Department.

A table displaying the amounts contained in the various categories appears on page 3. Although estimates are shown for each category, many of the programs/projects overlap or cross-cut each other.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. Title V of the Housing and Urban Development Act of 1970, as amended, authorizes and directs the Secretary to undertake programs of research, studies, testing and demonstrations relating to the missions and programs of the Department. Work under this authority is a principal source for Departmental program and policy reforms. In order to assure effective use of the results of these activities, the Secretary is authorized to disseminate significant reports, data, and information to departments and agencies of Federal, State and local governments, to industry, and to the general public.

2. Policy Development and Research Organization. The Assistant Secretary for Policy Development and Research (PD&R) is responsible for the development, planning, and execution of HUD research and demonstration programs; for assisting in the formulation of Department policy; and for disseminating HUD research results. In addition, the PD&R organization has principal responsibility for providing evaluation, economic and policy analysis, and staff assistance to the Secretary in determining national housing and community development goals, program priorities, and objectives.

3. Goals of the Research Program. The primary goal of the research program is to increase the effectiveness of HUD's programs by providing information on which to base future policy decisions. The research program forms the intellectual foundation for change and reform within the Department. It also provides a logical complement to the Department's efforts to eliminate fraud, abuse, and mismanagement. The 1991 program will focus HUD's research agenda on HUD's policy goals and provide vital information on HUD's ability to achieve these goals. The priorities towards which the research agenda are directed include:

-- Maintaining affordability of housing for low-income families, and recapturing the American dream of homeownership for first-time homebuyers;

-- Creating jobs and economic development through Enterprise Zones to encourage entrepreneurship in distressed inner cities and rural areas;

-- Helping to eliminate the tragedy of homelessness, particularly for families with children;

-- Empowering the poor to control their own lives through resident initiatives such as resident management, homesteading, and ownership of public housing;

-- Fully enforcing the new Fair Housing law by providing the needed resources for timely and effective investigation and resolution of all fair housing; and

-- Promoting a drug-free America, particularly in HUD-supported housing.

Along with these efforts, a significant portion of Research and Technology funding will continue to be used to conduct the American Housing Survey and other housing market surveys. Additionally, the research agenda includes several activities directly responsive to Congressional mandates. These are:

-- developing improved methods of identifying and abating lead-based paint hazards;

-- studying the impact of rent control on housing availability and affordability;

-- preparing the President's National Urban Policy Report for 1990;

-- developing alternative methods for providing funds for the comprehensive modernization of public housing; and

-- evaluating and monitoring programs of the Department. This includes a significantly expanded agenda of evaluation and monitoring in 1991 to provide information about the costs, impact, equity, and effectiveness of the Department's programs in achieving their goals.

To meet these goals, obligations in the Department's research program are in the following major program areas:

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
A. HOUSING PROGRAMS	$1,238	$4,000	$4,000	$2,855	-$1,145
B. SAFETY AND STANDARDS	1,446	550	1,000	1,000	...
C. HOUSING MARKETS	12,777	14,330	13,547	15,845	+2,298
D. FAIR HOUSING	824	900	792	1,000	+208
E/F. LOCAL GOVERNMENT MANAGEMENT, COMMUNITY AND URBAN DEVELOPMENT	211	350	391	1,000	+609
G. RESEARCH SUPPORT	1,206	1,370	923	1,400	+477
Subtotal	17,702	21,500	20,653	23,100	+2,447
H. PROGRAM EVALUATIONS AND MONITORING	...	...	...	25,000a/	+25,000
Total	17,702	21,500	20,653	48,100	+27,447

a/ To be funded by the transfer of funds from selected Department programs.

A. HOUSING PROGRAMS

ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1990 vs 1991
		(Dollars in Thousands)		
$1,238	$4,000	$4,000	$2,855	-$1,145

Research work in this area continues to evaluate strategies for increasing the efficiency and effectiveness of Federal housing programs for low-income families. Major research areas include the future of the multifamily assisted rental stock, improved public housing through tenant management and sales to public housing residents, and the effectiveness of the Department's programs to assist the homeless.

The decrease in 1991, as compared to 1990, is due to moving major new evaluation and monitoring efforts to Category H. Program Evaluation and Monitoring.

Research and Technology

Public Housing

The research agenda for the public housing program will focus on HUD's efforts to empower public housing residents. The Department will examine the role of tenant management and other tenant-based organizations in improving the financial, social, and physical condition of the housing stock. HUD will also study the various public housing homeownership programs, including the long-term effects on the purchasing families. A review of the public housing child care demonstration will be conducted and an assessment of a variety of program models for combatting drugs in public housing will be undertaken. In addition, HUD will be developing more realistic estimates of the lifetimes of building components to enable HUD and PHAs to forecast more accurately project component replacement needs.

Low-Income Rental Housing

The research agenda for low-income rental housing will focus on HUD's efforts to promote affordability and to provide economic opportunities to low-income families. Work will continue on an analysis of the Low-Income Housing Tax Credit. The development of a comprehensive data base for modeling policy options on the future of the multifamily assisted stock will be completed, and work will continue on analytical tools to protect the FHA multifamily insurance fund and the tenants of assisted housing projects. An evaluation of the cost-effectiveness of the HoDAG program as a housing program design will be started, and an assessment of the effectiveness of the Rental Rehabilitation program for expanding the stock of good quality affordable housing will continue. A study of the Nehemiah program will also be conducted. Another project will seek better understanding of the reasons for participation and nonparticipation by landlords in the Voucher and Section 8 Certificates programs in order to continue to improve the implementation of tenant-based housing assistance.

Examinations of the causes of turnover in assisted housing and the various methods for developing and using waiting lists will also be undertaken.

Reviews of Operation Bootstrap and other local housing/welfare assistance programs, including minority business development initiatives, designed to move low-income families to economic self-sufficiency will be undertaken.

In an effort to understand better the process for the development of low-income housing, new approaches will be explored to providing affordable housing, including an assessment of the ways in which nonprofit housing developers finance their projects.

Homeless Assistance

This research agenda will assess the Department's success in reducing homelessness across the country. Evaluations of the Department's homeless assistance programs, including the Emergency Shelter Grants Program and the Transitional Housing program, will be continued. In addition, an analysis of the Department's new Rental Housing Assistance for the Homeless initiative will be conducted.

Research into more basic issues on homelessness, such as the causes of recidivism among the homeless and the development of a methodology for assessing the extent of homelessness in rural areas will be undertaken. An effort to identify and disseminate successful local strategies and programs which address the prevention of homelessness will be undertaken and a Congressionally-mandated study of the effects of rent control on housing markets and homelessness will be completed.

B. SAFETY AND STANDARDS

ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)		
$1,446	$550	$1,000	$1,000	...

The principal goal of this research is to aid in providing safe and sound housing at an affordable cost. Research on building technology, environmental hazards, manufactured housing, and simplification of building regulations are all covered under this category.

Residential Safety and Technology

Recent legislation has enunciated Congress' desire for more extensive research in this area. As directed in the Conference Report on the 1990 Appropriations Act, $500 thousand is available in 1990 for lead-based paint research and $500 thousand for housing technology research. The lead-based paint research was initiated in fiscal years 1988 and 1989 and is continuing in 1990 and 1991.

The lead-based paint study includes:

(1) an FHA Demonstration of 173 FHA-owned houses in 5 cities, which includes various different testing and abatement methods being assessed;

(2) a public housing abatement Demonstration involving 100 units in 3 cities, and also development of a comprehensive and workable plan for public housing;

(3) a study of testing and detection technology;

(4) a study of lead-based paint hazards in the U.S. and a related comprehensive and workable plan for private housing; and

(5) issuance of final guidelines to remove lead-based paint in public housing.

The research agenda in the Residential Safety and Technology area also includes continued identification of regulatory changes at the Federal, state, and local levels to lower the cost of construction and rehabilitation and studies of the impact of radon on indoor air quality in HUD's programs. Work will focus on technological, as well as administrative, improvements to bring down the cost of housing, both public and private.

Work will also be done to assess existing procedures for the adoption of local codes and to develop new uniform consensus based procedures by which administrative procedures can be adopted uniformly by communities.

C. HOUSING MARKETS

ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE - DECREASE + 1991 vs 1990
		(Dollars in Thousands)		
$12,777	$14,330	$13,547	$15,845	+$2,298

Housing and financial market data are essential for the formulation of housing and community development policy. As rapid changes in the housing and housing financial markets continue to occur, it is essential for policymakers to keep abreast of these changes and to understand their potential and actual impacts on homebuilding, the affordability and availability of both owner-occupied and rental housing, and on FHA and GNMA activity and soundness. Increases in this category are primarily due to the increased cost of surveys.

Surveys of Housing

To meet the need for reliable and up-to-date information, PD&R developed and now maintains several major data series on national, regional, and local economic and housing market conditions. These series include the American Housing Survey, the Survey of Market Absorption of New Apartments, the Survey of New One-Family Houses Sold and for Sale, the Survey of Housing Completions, the Survey of Mobile Home Placements, the Residential Finance and Components of Inventory Change Surveys, and surveys of mortgage lending activities. These data series are collected by the Bureau of the Census and issued jointly by the Bureau of the Census and HUD in monthly, quarterly, or annual housing and construction reports.

Housing and Financial Markets

Three major areas will be covered by housing finance research. A first priority will be determining causes of FHA defaults. Analysis of recent default experience in both FHA's single- and multifamily programs will increase HUD's ability to accurately project defaults and identify problem loans and projects at an early stage. Supporting HUD's default work will be a comprehensive analysis of the sources of variation in house prices. The effects on local real estate prices of property sales by FHA and the new Resolution Trust Corporation will be identified. A second priority will be continuing the study of secondary mortgage market institutions and new mortgage-backed securities. A particular focus will be determining appropriate capitalization levels for government-sponsored corporations such as FNMA. A final priority will be identifying new mortgage instruments that can increase affordability of homeownership.

D. FAIR HOUSING

ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)		
$824	$900	$792	$1,000	+$208

Fair housing must become a reality for all Americans. Enforcement and compliance activities are undertaken to ensure that everyone can choose to live where they want. The Department's research agenda in this area is being increased to include an examination of the effectiveness of HUD's efforts to desegregate public housing and an assessment of the racial and economic impacts of the Section 8 certificate and housing voucher programs. The Department will also conduct an examination of redlining issues and the effectiveness of the Community Reinvestment Act. An evaluation of the Fair Housing Initiatives Program will be continued.

E/F. LOCAL GOVERNMENT MANAGEMENT, COMMUNITY AND URBAN DEVELOPMENT

ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)		
$211	$350	$391	$1,000	+$609

This research agenda will examine and evaluate the Department's efforts to create jobs and economic opportunities through Enterprise Zones and other economic development-related activities. Baseline data and methodology for an analysis of the Federal Enterprise Zone program will be developed. An assessment of housing developed using CDBG funds will be undertaken. A new study of the State CDBG program will be undertaken to update the assessment of this program conducted soon after it began. Projects, such as Operation Bootstrap and HUD's tenant management efforts, while described elsewhere, are also part of this research agenda. Efforts to support HUD's war on drugs contribute to a major increase in this area.

G. RESEARCH SUPPORT

ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)		
$1,206	$1,370	$923	$1,400	+$477

These activities include functions that support more than one research program and dissemination and transfer of research results. The funding increase for 1991 is attributable to increased statistical and data processing efforts in support of PD&R's expanded evaluation and monitoring activities.

Program Planning and Management

Activities which provide administrative support to PD&R are covered under this category, including the conduct of short-term, high priority policy analyses and research. This category also provides funds for research management and analysis by PD&R staff.

Research and Technology

Transfer of Research Results

PD&R is responsible for the dissemination of the results of research studies to government officials and the general public. Documents such as manuals and management guides are developed for local governments and organizations. Work-shops and seminars also are conducted for practitioners and key decision makers. Another means for dissemination of research results is HUD-USER, a depository of all HUD research studies and documents. The HUD-USER system is used to process all requests from the public for such documents. A user fee is charged for each document to defray production and handling costs.

H. PROGRAM EVALUATION AND MONITORING

ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)		
...	...	...	$25,000	+$25,000

The Department is proposing a new initiative to improve program performance, enhance management effectiveness, and prevent the waste of scarce Federal resources. This initiative will expand the Department's evaluation and monitoring activities by $25 million and focus these activities where the Department is most vulnerable to waste and mismanagement. The Department proposes to obtain the $25 million by transferring approximately one-eighth of one percent of selected program appropriations to the Research and Technology budget. Increased program performance should more than compensate for the minor reduction in funds available to these programs.

Under the Federal Managers' Financial Integrity Act, the Department identified over 40 material weaknesses which have led to fraud, waste, abuse, and mismanagement of HUD programs. The lack of reliable and timely information on programs has been a consistent contributor to many of the Department's problems; therefore, HUD believes that increased evaluation and monitoring are essential ingredients in correcting these weaknesses and preventing others. The Department has also determined that all new programs should be subject to careful monitoring and evaluation.

Monitoring expands PD&R's support for the Secretary in ways which are essential to achieving the goals of REFORM, particularly the Secretary's promise to eliminate the systemic flaws which have allowed HUD programs to be abused at the expense of those in need. In this initiative, monitoring will encompass several activities to assist the Secretary and HUD program managers in knowing what is happening currently with their programs, detecting problems at an early stage, and resolving management issues.

One major goal will be to improve HUD data systems. In many areas, HUD has not kept adequate track of what it is doing. For example, the Department does not know the characteristics of the assisted multifamily housing projects which are eligible to prepay; or the characteristics of Retirement Service Center projects, an insurance program which has begun to experience high default rates.

Another example is that HUD currently lacks data on the economic and demographic characteristics of the over 4.5 million tenants in assisted housing, data which Congress, in the Fair Housing Amendments of 1988, requires HUD to publish annually. The absence of usable information about Section 8 tenants has been identified as one of the Department's major material weaknesses.

Also, in the early 1980s, HUD stopped collecting data on vacancy rates in insured projects, data which could have been used to warn the Department about potential default problems in the coinsurance program.

In addition, HUD often lacks the capacity to fully use the data which it does collect. This initiative will enable HUD to use more effectively that data. For example, HUD has collected data on modernization of public housing projects back to 1970 without ever checking to determine how often the same projects receive what is intended to be a comprehensive revitalization. Analysis of these data would help assess the effectiveness of prior efforts and would help design more effective modernization efforts.

Monitoring would also include third-party reviews, similar to the successful Project Management Oversight program developed by UMTA, of major demonstrations or selected administrators of important new programs to help HUD detect and resolve problems. Finally, monitoring would include selected follow-up to internal and external audits to assess progress and resolve problems.

Evaluations assist the Secretary and HUD program managers in determining whether programs are reaching their intended beneficiaries and providing the intended benefits, whether programs costs are reasonable, and whether programs are having any unintended effects. Evaluations also help managers improve program management and determine more effective ways of implementing programs. In the past fiscal year, HUD spent less than $10 million evaluating $17-18 billion per year in grants and assistance, less than 6 cents per $100 of program outlays.

This initiative will enable HUD to conduct a comprehensive set of evaluations of the Secretary's new HOPE proposals, including HOPE Homeownership Grants, Service-Supported Housing for the Homeless, Preservation of "At-Risk" Properties, Housing Opportunity Zones, Enterprise Zones, Service-Supported Housing for the Frail Elderly, and Operation Bootstrap.

In addition to already planned evaluations, PD&R would be able to start evaluations for Section 202 handicapped housing, the Performance Funding System, the CDBG entitlement program, Emergency Shelter Grants and other assistance for the homeless, and other programs. In particular, PD&R would work with the program offices to provide evaluation assistance in solving difficult management problems.

This initiative will also allow PD&R to expand planned evaluations. Planned evaluations--such as those of the Nehemiah program and the Fair Housing Initiatives Program discussed above in the justification for the direct Research and Technology appropriation request of $23 million--would be expanded to provide enlarged samples for more reliable measurement of program effects and to add analysis of more issues, especially how effectively program resources are managed. Also work would be expanded to cover the Section 8 Voucher and Certificate programs.

The goal of this initiative is to provide the Secretary and other Department managers with a variety of tools to improve program performance and prevent waste, abuse, and mismanagement. HUD will apply these tools, as appropriate, to all areas identified as material weaknesses and to all new programs.

The following programs are subject to the transfer proposal:

Programs	Transfer Amounts (Dollars in Thousands)
Annual Contributions for Assisted Housing	$17,545
Rental Rehabilitation Grants	95
Housing Counseling Assistance	2
HOPE Grants	340
Modernization of Low-Income Housing Projects	2,508
Drug Elimination Grants for Low-Income Housing	202
Emergency Shelter Grants	98
Transitional and Supportive Housing	193
Rental Housing Assistance for the Homeless	218
Community Development Grants	3,735
Urban Homesteading	47
Fair Housing Activities	17
Total	25,000

Additionally, other HUD programs (i.e., Section 202, Housing for the Elderly or Handicapped, Public Housing Operating Subsides) may be evaluated and monitored through the use of these funds.

ADVISORY AND ASSISTANCE SERVICES

Advisory and assistance services are part of, and not in addition to, the activities and funding reported under the seven research categories. As defined in OMB Circular A-120, these services include individual experts and consultants; studies, analyses, and evaluations; and management and professional support services. Estimates of advisory and assistance services are designed to provide PD&R with sufficient flexibility to respond to specific, short-term Departmental requests for policy relevant information where those requests cannot be predicted accurately in advance as to the type of research methodology required.

Research and Technology

In 1989, $4.6 million of HUD's Research and Technology appropriation was obligated for advisory and assistance services. The estimates for 1990 and 1991 are $3.5 million each year for these activities. The 1991 estimate excludes program evaluations. The funds will be used for:

-- increasing the effectiveness of current assisted and public housing programs;

-- increasing the safety and affordability of housing through technological and regulatory improvements;

-- monitoring the impact of tax policy on housing and the fiscal health of cities;

-- maintaining the stability of the housing finance system;

-- promoting fair housing and antidiscrimination activities; and

-- supporting local governmental policies for building healthy communities and neighborhoods.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expenses requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the three fiscal years--1989, 1990 and 1991.

BUDGET ACTIVITY 5: POLICY DEVELOPMENT AND RESEARCH

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in	Thousands)		
Total Budget Activity	$12,781	$14,419	$13,326	$14,464	+$1,138
Full-Time Permanent Appointments, End of Year	127	146	134	140	+6
Full-Time Equivalents	133.4	142.0	134.2	143.9	+9.7
Staff-Years	134.9	145.2	137.4	147.1	+9.7

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The funding request for 1991 is $14,464 thousand, an increase of $1,138 thousand to the 1990 level of $13,326 thousand. A staffing level of 147.1 staff-years is proposed, which is an increase of 9.7 staff-years to the 1990 current estimate. The higher staffing level and related costs are consistent with program levels proposed for 1991. The net increase for staffing and associated costs provide support for increased research activities in the areas of housing discrimination, lead-based paint in housing, rent control, and evaluation monitoring of housing programs, including vouchers and certificates, the Rental Rehabilitation Grant program, and the Low Income Housing Tax Credit.

FUNDING

The following table shows the actual obligations by object class for 1989 and estimated obligations for 1990 and 1991 for this activity.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in	Thousands)		
Personal Services	$7,690	$8,215	$8,224	$8,806	+$582
Travel and Transportation of Persons	116	110	160	120	-40
Transportation of Things	...	5	5	6	+1
Rent, Communications and Utilities	71	119	119	127	+8
Printing and Reproduction	95	60	93	96	+3
Other Services	4,781	5,830	4,651	5,207	+556
(ADP Services)	(4,304)	(5,330)	(3,984)	(4,524)	(+540)
(Selected Contracts)	(450)	(400)	(555)	(580)	(+25)
Supplies and Materials	28	40	42	42	...
Equipment	...	40	32	60	+28
Total	12,781	14,419	13,326	14,464	+1,138

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Policy Development and Research

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $12,781 thousand were $399 thousand less than the previous estimate of $13,180 thousand. The net decrease consists of an increase of $194 thousand for personal services more than offset by a decrease of $593 thousand for support costs. The personal services increase is primarily due to higher than anticipated average salary costs as well as the use of 2.7 more staff-years than projected. The support cost decrease is due to lower than projected automated data processing costs for operation of interactive research systems.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate..	$14,419
Deduct personal services funds reduced due to sequestration and other reductions..	-627
Add for functional transfer of 2.9 staff-years for International Affairs from Departmental Management..............................	+164
Add all other personal services changes............................	+472
Deduct revised estimate for support costs..........................	-1,102
Current 1990 estimate..	13,326

The difference in staffing and funding levels from the Budget to the 1990 current estimate reflects the net of the Section 517 reduction, sequestration and other repricing changes. The 1990 estimate also reflects the transfer of the International Affairs function with 2.9 staff-years from Departmental Management. Funding changes are as follows:

- a decrease of $627 thousand associated with the appropriation reduction, sequestration and personal services repricing;
- an increase of $164 thousand representing the costs associated with the transfer of 2.9 staff-years for the International Affairs function from Departmental Management;
- an increase of $472 thousand for all other personal services changes including increasing salaries and benefits costs and the January 1990 general pay raise ($230 thousand); and
- a decrease of $1,102 thousand for support costs, reflecting budget reductions and more recent cost and requirements information, principally for automated data processing services due to a leveling off of operating costs for interactive services.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations....................................	$12,781	$13,326
Changes to staffing level.................................	+143	+581
Fiscal year 1990 general pay raise........................	+230	+59
Fiscal year 1991 general pay raise........................	...	+112
Fiscal year 1991 executive pay raise......................	...	+49
Rising average salaries and benefits costs................	+161	...
Budgeted reduction in average cost per staff-year.........	...	-219
Changes in automated data processing costs................	-320	+540
Changes in technical services costs.......................	+130	...
Changes in other support costs............................	+201	+16
Total obligations...	13,326	14,464

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Policy Development and Research

There are net increases of $534 thousand and $582 thousand for personal services in 1990 and 1991, respectively. The changes reflect the following:

-- the net 2.5 staff-year increase during 1990 includes the transfer of the International Affairs activity from Departmental Management, slightly offset by a 0.4 staff-year decrease, and results in a funding increase of $143 thousand. The proposed 9.7 staff-year increase for 1991 results in a funding increase of $581 thousand;

-- the general pay raise which became effective during January 1990 is estimated to require an increment of $230 thousand during 1990 and a further increment of $59 thousand during 1991;

-- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $112 thousand shown would cover a portion of the total requirement;

-- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $49 thousand shown would cover a portion of this requirement;

-- rising average salaries and benefits costs will require an additional $161 thousand in 1990; and

-- a budgeted reduction of $219 thousand in the average cost per staff-year in 1991 reflects the requirements to absorb pay raises and other personal services increases.

Support costs increase $11 thousand in 1990 and $556 thousand in 1991. The increases result from:

-- the cost of automated data processing decreases $320 thousand in 1990 due to no new systems development requirements, and increases $540 thousand in 1991 due to increased systems development to support the Secretary's program and financial management reform initiatives;

-- technical services contract requirements for the International Affairs activity, which were previously funded under Departmental Management, will require $130 thousand in 1990 and the same amount in 1991; and

-- changes to all other non-personal services costs, such as travel, contractual services, supplies, and furniture and equipment procurement and maintenance, result in net increases of $201 thousand and $16 thousand in 1990 and 1991; respectively.

4. CONTRACTS

The following table identifies the specific contracts unique to this activity and is followed by a brief description of the 1991 request.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Data and Statistical Services:					
Postal Vacancy Survey	$450	$400	$425	$450	+$25
Technical Services:					
Interpreter Services	...	...	85	85	...
Translation Services	...	...	30	30	...
Bilateral Support Services	...	...	15	15	...
Subtotal	...	...	130	130	...
Total	450	400	555	580	+25

NOTE: The technical services contracts were transferred with the International Affairs function from Departmental Management in 1990. 1989 and 1990 costs are reflected in the "Departmental Management" account.

Salaries and Expenses, Housing and Urban Development
Budget, Activity 5: Policy Development and Research

Data and Statistical Services

Postal Vacancy Survey..$450 Thousand

The agreement provides the Department with current data on the housing inventory and vacancies in selected housing market areas (both metropolitan and non-metropolitan cities) where HUD housing and community development programs are utilized. The increase of $25 thousand in 1991 reflects the costs necessary for conduct of the survey.

Technical Services

Translation Services..$30 Thousand

A major international activity is to identify relevant foreign studies and reports in the area of housing and urban development for study and to translate them for HUD program officials and technical experts. Translation of the variety of foreign documents received cannot be completed in-house and is, therefore, accomplished through contractual assistance. In addition, various bilateral and multilateral obligations frequently require the translating of formal documents, technical papers, work programs, agenda, and study tour itineraries.

Interpreter Services..$85 Thousand

Under an interagency agreement, the Department of State provides interpreter services for activities under the Department's current bilateral exchange programs. Interpreters who are proficient in Russian, Chinese, Spanish, French, and other languages, knowledgeable in housing and construction terminology, and familiar with protocol procedures and requirements, are requested from the Department of State under this reimbursable interagency agreement.

Bilateral Support Services..$15 Thousand

These funds are for contracts to acquire the services of technical experts for preparing staff for particular meetings or seminars (e.g., bilingual architects and engineers in Russian and Chinese Languages) in support of bilateral exchange programs. Assistance is provided in developing conference data, briefing papers for HUD senior officials traveling abroad as part of international exchange programs, and the critical assessments of foreign studies.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

Personnel of the Office of Policy Development and Research (PD&R) are responsible for the management of research conducted under contracts, cooperative agreements and grants, as well as in-house research, economic analyses, tax policy analysis and research, program evaluation, and policy development. A continuing goal of the Office is improving in-house capabilities to perform quick-response analyses and evaluations.

While there are very few staff whose duties are exclusively in one type of activity, these are the principal classes of PD&R staff activities.

a. In-House Research, Economic Analyses, Program Evaluation, and Policy Development. Personnel of PD&R conduct a broad range of activities necessary for the efficient and effective operation of the Department's programs, such as:

(1) Performance of background analyses, studies, and priority assessments concerning housing and community development issues, and the provision of staff assistance to the Secretary, Under Secretary, and Assistant Secretary for PD&R in determining policy for national housing and community development goals, program priorities, and objectives for the Department. Much of this work is policy-sensitive and on short notice, and thus cannot be completed by contract research organizations.

(2) Provision of economic analyses and recommendations, performance of housing and financial market research, and the design and monitoring of several housing related data series.

(3) Evaluation of the impact of HUD programs on specific clients and on communities in general, and the performance of short-term analytical studies in problem areas. The 1990 Budget includes an expanded agenda of evaluation and monitoring of the Department's programs. Transfers of $25 million from selected HUD programs will provide the additional resources for this purpose. This is explained in the "Research and Technology" part of these Justifications.

(4) Provision of technical and analytical assistance to program Assistant Secretaries, such as refinement of the Performance Funding System formula for public housing; determining appropriate prices for new FHA products such as Home Equity Conversion Mortgage Insurance; and annual revisions of income limits and Fair Market Rents for the Department's housing assistance programs.

(5) Research and evaluation of new housing and construction materials and techniques, and development of ways to encourage use of new technology.

b. Research Agreement and Demonstrations. Staff in this area manage externally funded research contracts, cooperative agreements, and grants. Activities include assisted housing research, urban and community development research and State and local government research supported out of the appropriation for Research and Technology.

c. Service Functions. Approximately 10 percent of the PD&R staff perform program control, planning, budgeting and contracting, administrative functions, and services for the policy development, economic, and research staffs.

2. WORKLOAD

The workload of PD&R is associated with the research program which focuses on ways to improve the efficiency, effectiveness and equity of HUD programs. This entails developing policy recommendations for the Secretary, performing policy and economic analyses, directing research and demonstration activities, and evaluating existing programs for the Department. In carrying out its responsibilities, PD&R conducts analyses using either contract or in-house staff resources, depending on the issue and the nature of the work. PD&R also works with other HUD staff, State and local governments, academicians, representatives of various interest groups, and others to assure that all accessible knowledge is brought to bear on issues of concern to the Department.

3. SUMMARY OF STAFFING REQUIREMENTS

All PD&R personnel are assigned to Headquarters. The summary requirements are as follows:

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year........................	127	146	134	140	+6
Staff-Years........................	134.9	145.2	137.4	147.1	+9.7

A decrease of 12 positions and 7.8 staff-years from the 1990 Budget estimate to the 1990 current estimate reflects the appropriation reduction mandated by the Congress, sequestration and other funding reductions required during 1990. An increase of six positions and 9.7 staff-years is requested for 1991 to support increased research activities in the areas of housing discrimination, lead-based paint in housing, rent control and evaluation of housing programs, including vouchers and certificates, the Rental Rehabilitation Grant program, and the Low Income Housing Tax Credit. The increase will, essentially, restore this activity to the levels provided by the Congress prior to sequestration and other reductions, plus staff-years associated with the transfer of the International Affairs function.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Policy Development and Research

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel..................	122.0	131.7	138.0
Temporary and Part-Time Employees..............	11.4	2.5	5.9
Overtime.......................................	0.2	0.2	0.2
Terminal Leave.................................	1.3	3.0	3.0
Total Staff-Years............................	134.9	137.4	147.1

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary, handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within Policy Development and Research and are followed by a discussion of the functions and staffing requirements for each for those organizations.

1. HEADQUARTERS EMPLOYMENT

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Assistant Secretary	24	24	24	24	...
Policy Development........................	41	48	43	45	+2
Economic Affairs..........................	31	37	33	35	+2
Research..................................	31	37	34	36	+2
Total Full-Time Permanent Appointments, End of Year..........................	127	146	134	140	+6

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Assistant Secretary	25.5	24.6	25.7	26.0	+.3
Policy Development........................	43.6	47.7	44.1	46.5	+2.4
Economic Affairs..........................	32.9	36.7	33.3	36.8	+3.5
Research..................................	32.9	36.2	34.3	37.8	+3.5
Total Staff-Years.......................	134.9	145.2	137.4	147.1	+9.7

In 1991, the Research program will focus on the following areas:

— maintaining affordability of housing for low-income families, and recapturing the American dream of homeownership for first-time homebuyers;

-- creating jobs and economic development through Enterprise Zones to encourage entrepreneurship in distressed inner cities and rural areas;

-- helping to eliminate the tragedy of homelessness, particularly for families with children;

- — empowering the poor to control their own lives through initiatives such as resident management, homesteading, and ownership of public housing;
- — fully enforcing the new Fair Housing law by providing the needed resources for timely and effective investigation and resolution of all fair housing complients; and
- — promoting a drug-free America, particularly in HUD-supported housing.

The following tables indicate the distribution of full-time appointments and staff-years for the organizations within Policy Development and Research and are followed by a discussion of the functions and staffing requirements for each of these organizations.

The Department will continue to rely on in-house staff for priority activities and continue to utilize a program which integrates externally funded activity with internal work on HUD's research projects.

Staff is distributed among the following areas:

a. Immediate Office of the Assistant Secretary

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year..............................	24	24	24	24	...
Staff-Years..............................	25.5	24.6	25.7	26.0	+0.3

No additional FTP positions are requested for 1990 or 1991. The increases of 1.1 staff-years in 1990 and 0.3 staff-year in 1991 reflect the use of additional temporary and part-time employees to meet anticipated workloads.

The Assistant Secretary for Policy Development and Research (PD&R) is responsible principally for the development, planning, execution and evaluation of HUD's research program and demonstrations; and for providing economic and policy analysis and staff assistance to the Secretary and Under Secretary in determining Departmental policy for national housing and community development goals, tax policies, program priorities and objectives. In fulfilling these responsibilities, the Assistant Secretary and his staff are also involved in the development of strategies to improve policy coordination and in the implementation of such policies across program areas.

The Immediate Office also provides general administrative support for the overall PD&R organization. Other activities performed are the administration of a comprehensive system of program control, the operation of a research management information system, and the provision of budget support to the Assistant Secretary.

Program control involves defining the milestones, projecting requirements, assessing progress against planned schedules, and monitoring the timeliness of delivery of final products. This allows the staff to ascertain the status of any research effort. The research management information system allows PD&R to respond to numerous internal and external inquiries in a timely manner.

b. Office of Policy Development

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year..............................	41	48	43	45	+2
Staff-Years..............................	43.6	47.7	44.1	46.5	+2.4

The net decreases of five positions and 3.6 staff-years from the 1990 Budget estimate to the 1990 current estimate reflect decreases of seven positions and 6.5 staff-years to meet budget reductions this year partially offset by increases of two positions and 2.9 staff-years due to the transfer of the International Affairs function from the Departmental Management account.

Salaries and Expenses, Housing and Urban Development
Budget Activity 5: Policy Development and Research

Increases of two positions and 2.4 staff-years are requested for 1991 for in-house research projects including assigned field studies.

Staff working in this area are responsible for assisting in the development of Departmentwide policy initiatives, priority assessments, and background analyses, as well as undertaking short-term analytical studies in problem areas as requested by the Secretary, Under Secretary, and program Assistant Secretaries on an ad hoc basis.

The policy development function involves providing staff assistance to the Secretary, Under Secretary and Assistant Secretary for PD&R in determining Departmental policy for national housing and community development goals, program priorities and objectives.

Short-term analytical studies undertaken by in-house staff include: (1) Field studies designed to provide information on the characteristics of projects, neighborhoods, and program participants; (2) cost benefits studies on HUD programs; and (3) survey research studies aimed at gathering attitudinal and impact data relevant to pending program and policy decisions and to the evaluation of existing programs.

Staff are responsible for dissemination activities which include the development and implementation of plans and programs for encouraging the utilization of HUD-sponsored research results.

Staff are also involved in conducting demonstrations to improve the quality of life for housing residents.

Finally, the International Affairs function is housed in this Office.

c. Office of Economic Affairs

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year..............................	31	37	33	35	+2
Staff-Years..............................	32.9	36.7	33.3	36.8	+3.5

The decreases of four positions and 3.4 staff-years from the 1990 Budget estimate to the 1990 current estimate reflect staffing adjustments to meet budget reductions this year.

Increases of two positions and 3.5 staff-years are requested for 1991. The additional staff is necessary for the evaluation of the low-income tax credit and for provision of economic and financial market analyses.

This staff is responsible for performing housing and financial market studies and for providing economic and market analyses, impact assessment and recommendations, and alternatives for Departmental action with respect to the economy. Research undertaken includes the examination of ways to develop and continue the availability of stable sources of mortgage credit.

This examination will include the effect of various Federal, State, and local initiatives on the continuing availability of mortgage credit, and an analysis of the effect of secondary mortgage market activities, banking deregulation, and tax reform on housing finance. The staff working in this area are also engaged in designing and monitoring several data series, including the American Housing Survey.

This staff also provides technical and policy assistance to Regional and Field economists in carrying out their review functions for housing and community planning and development programs. Additionally, this staff is responsible for developing instructions to guide Field economists in providing market feasibility analyses of program applications and for providing local-level market intelligence within the Department. This staff also establishes the Fair Market Rent Schedules for the Section 8 Existing Housing and Housing Voucher programs and develops the income limits and funds allocation formulae for the Department's assisted housing programs. The issues dealing with establishing separate Fair Market Rents for Monroe County, Pennsylvania and the procedures used to estimate Fair Market Rents in general will be addressed by this staff in the near future.

Another area of research conducted by this staff is aimed at urban economic development, fiscal stress, the growth of an urban economic base and preparation of the Urban Policy Report. Analysis of the impact of proposed tax and budget changes on economic development, housing markets, and the general fiscal well-being of the State and local government public sector will also be addressed.

d. Office of Research

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year...............................	31	37	34	36	+2
Staff-Years...............................	32.9	36.2	34.3	37.8	+3.5

The decreases of three positions and 1.9 staff-years from the 1990 Budget estimate to the 1990 current estimate reflect staffing adjustments to meet budget reductions this year.

Increases of two positions and 3.5 staff-years are requested for 1991. The increases are necessary to conduct evaluation of housing programs, research on lead-based paint in housing and environmental hazards, and on fair housing and equal opportunity. The expanded evaluation program in 1991 will be conducted by this Office.

This staff is responsible for demonstrations of a technical nature dealing with innovative technologies involving construction and rehabilitation; for performing evaluations and research on programs and issues--such as housing assistance to lower-income families, the financial and physical status of the HUD-assisted multifamily housing stock, housing and community development, and fair housing--that have a direct bearing on the urban communities in this Country. This staff also develops and implements policy-oriented research and program evaluations that address public housing modernization needs, homeownership, and other activities related to housing safety and resource conservation.

Studies in the community development areas focus on evaluation of programs and demonstrations for neighborhood revitalization and the improvement of residential living environments. Evaluations are conducted on the effectiveness of better uses of housing stock, such as homesteading, to strengthen communities and meet housing needs. An important area of concern is the condition of multifamily housing, especially HUD insured, and its relation to level and forms of housing discrimination and the impacts and effectiveness of major fair housing programs. Results of the fair housing activities of this Office impact on fair housing proposals and litigation.

Housing assistance and public housing research includes analysis of housing subsidy methods and evaluation of alternative housing assistance techniques and methodologies. Special users research is concerned with improving the delivery of housing services to groups with special housing needs, including the elderly, the handicapped, those living in rural areas and native Americans.

The innovative technology and special projects function addresses issues of housing affordability, rehabilitation effectiveness, energy conservation, building codes and standards, and an increasing concern about environmental issues. Beginning in fiscal year 1988, a major effort has been the development and management of an extensive research and demonstration program addressing lead-based paint hazard identification and abatement; other environmental issues include development and testing of methods to predict and mitigate the presence of radon and other indoor air quality problems and proper methods to identify and abate asbestos hazards in property rehabilitation projects.

Improving the rehabilitation process involves working with local communities on codes and regulations, as well as identifying and developing new technical methods to improve quality, reduce cost, and expedite project completion. Management of the Experimental Technology program under Section 233 of the National Housing Act provides a mechanism to encourage the demonstration and use of innovative building materials and methods.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
POLICY DEVELOPMENT AND RESEARCH
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-6 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 SENIOR ADVISOR	1	1	1
GS/GM-15	4	4	4
GS/GM-14 AND BELOW	17	17	17
TOTAL FTPS	24	24	24
FTE WORK-YEARS	25.2	25.3	25.4
AVERAGE EMPLOYMENT	25.5	25.7	26.0
PERSONAL SERVICES	$1,420	$1,484	$1,531

POLICY DEVELOPMENT

TITLE & GRADE	1989	1990	1991
ES-2 DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 DIVISION DIRECTOR	1	1	1
ES-1 SENIOR ADVISOR	1	1	1
GS/GM-15	5	6	6
GS/GM-14 AND BELOW	33	34	36
TOTAL FTPS	41	43	45
FTE WORK-YEARS	43.1	43.1	45.6
AVERAGE EMPLOYMENT	43.6	44.1	46.5
PERSONAL SERVICES	$2,462	$2,650	$2,769

ECONOMIC AFFAIRS

TITLE & GRADE	1989	1990	1991
ES-4 DEPUTY ASSISTANT SECRETARY	1	1	1
ES-4 ASSOCIATE DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	7	7	7
GS/GM-14 AND BELOW	22	24	26
TOTAL FTPS	31	33	35
FTE WORK-YEARS	32.6	32.7	36.0
AVERAGE EMPLOYMENT	32.9	33.3	35.8
PERSONAL SERVICES	$1,875	$1,996	$2,198

RESEARCH

TITLE & GRADE	1989	1990	1991
ES-5 DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	7	8	8
GS/GM-14 AND BELOW	23	25	27
TOTAL FTPS	31	34	36
FTE WORK-YEARS	32.5	33.1	36.9
AVERAGE EMPLOYMENT	32.9	34.3	37.8
PERSONAL SERVICES	$1,903	$2,084	$2,289

SUMMARY POLICY DEVELOPMENT AND RESEARCH

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV	1	1	1
ES-6	2	2	2
ES-4	4	4	4
ES-2	1	1	1
ES-1	1	1	1
GS/GM-15	23	25	25
GS/GM-14 AND BELOW	95	100	106
TOTAL FTPS	127	134	140
FTE WORK-YEARS	[illegible]	134.2	143.9
AVERAGE EMPLOYMENT	134.9	137.4	147.1
PERSONAL SERVICES	$7,680	[illegible]	[illegible]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING ASSISTANCE PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Program Level:					
Assistance to State and Local Agencies:					
Number of Awards	120	125	120	125	+5
Obligations	$4,554	$5,753	$5,885	$6,591	+$706
Assistance to Community Housing Resource Boards:					
Number of Awards	...	60	60	...	-60
Obligations	122	$1,000	$1,950	...	-$1,950
Total Obligations	4,676	6,753	7,835	6,591	-1,244
Appropriation (Budget Authority):					
Enacted or Proposed	5,000	6,753	6,753	6,600	-153
Approp. Act reduction (Sec. 517)	...	...	-105	...	+105
Sequestration	...	...	-77	...	+77
Proposed Transfer to Research and Technology	...	...	...	-9	-9
Total	5,000	6,753	6,571	6,591	+20
Budget Outlays	6,980	7,500	7,290	5,500	-1,790

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget requests a 1991 appropriation of $6.6 million for the Fair Housing Assistance Program (FHAP), of which $9 thousand is proposed for transfer to the Research and Technology account for increased evaluation and monitoring of HUD programs. The FHAP appropriaion will be used to assist State and local fair housing agencies.

FHAP is part of the national fair housing effort to complement the Department's enforcement and voluntary compliance activities which are carried out pursuant to the Fair Housing Act. The Budget also proposes a 1991 appropriation of $5.6 million for the Fair Housing Initiatives Program, described in a separate Justification. Total funding requested for both programs in 1991 is $12.2 million compared to $12.4 million in 1990. Together, these two programs form a national, comprehensive fair housing strategy against housing discrimination, based upon greater cooperation between Government and the private sector.

a. State and Local Agencies

In 1991, $6.6 million is requested for State and local agency funding to provide financial assistance for an estimated 125 agencies on a noncompetitive basis. Agencies which meet a certain threshold level of complaints processed and a prescribed standard of case processing quality and timeliness will receive additional incentive funds for education, outreach, testing and other support activities. The proposed funding level will support the expanded coverage to include complaints based on familial status or handicap and a greater per unit reimbursement for certified agencies to cover the additional costs of further administrative or judicial processing.

b. Community Housing Resource Board (CHRBs)

No funding is proposed for CHRBs in 1991. The Department believes it is not necessary to provide Federal financial support to assist CHRBs in implementing local voluntary affirmative marketing programs. Local funding sources are more appropriate for this purpose. However, CHRBs will be eligible to apply for financial assistance under the Fair Housing Initiatives Program (FHIP) to carry out education and outreach initiatives.

2. CHANGES FROM 1989 ESTIMATE INCLUDED IN 1990 BUDGET

Actual obligations in 1989 were $4.7 million compared to the estimate of $6.3 million. The estimate assumed that all of the State and local agency and CHRB funds would have been obligated in 1989 including $400 thousand of estimated recaptured funds. This latter amount was not available for obligation as the recaptures did not occur. The carryover balance of $1,264 thousand includes $950 thousand for CHRBs and $314 thousand for State and local agencies which will be obligated in 1990. The 1989 appropriation for CHRBs was held over for obligation in 1990 due to a delay in publishing the NOFA. The reason for the delay was to allow time for a review of the program following a national audit of CHRBs by HUD's Inspector General. Following the audit, several changes were made to the draft NOFA, delaying its publication until December, 1989.

Actual outlays were $7 million, the same as the estimate.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The current estimate of obligations ($7.8 million) is increased from the original estimate ($6.8 million) primarily due to the availability of the $1.3 million carryover balance from 1989. The number of State and local agencies to receive financial assistance in 1990 is estimated to be 120, a decrease of five from the original estimate. The decrease results from the inability of agencies with new laws to receive certification by the time FHAP funding applications were due. The number of CHRB organizations estimated to receive financial assistance in 1990 remains at 60 but the funding level for CHRBs will be increased to provide greater assistance for administrative support. In 1990, the $2 million projected obligations for CHRBs include $1 million from the 1990 appropriation and a carryover balance of $950 thousand from 1989.

The estimate of outlays in 1990 is reduced slightly reflecting the lower level of 1989 obligations than projected.

EXPLANATION OF INCREASES AND DECREASES

The 1991 appropriation request of $6.6 million represents an increase of $20 thousand above the 1990 appropriation. The funding level for State and local agencies will be increased by $706 thousand to provide greater assistance to 125 agencies in 1991. As indicated above, no funds are requested for CHRBs in 1991. Local funding sources should be used to implement local voluntary affirmative marketing programs.

The decrease in the 1991 outlay estimate is due to the reduced amount of unexpended balances available for disbursement at the start of 1991 as compared to 1990.

PROGRAM DESCRIPTION

The Fair Housing Assistance Program supplements the enforcement and voluntary compliance activities which are carried out by HUD Field staff under the Fair Housing Act. These activities include complaint investigations, conciliations and monitoring of compliance agreements. The Fair Housing Assistance Program provides funding and technical assistance to State and local agencies. Through national conferences and Regional training programs, these agencies are provided current information on fair housing legislation, new regulations, court decisions, and improved enforcement techniques. The two major categories of eligible recipients are: (1) State and local fair housing agencies, and (2) Community Housing Resource Boards.

1. State and Local Agencies Program

a. Legislative Authority. The Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, prohibits discrimination in the sale and rental of housing, real estate-related transactions and in the provision of brokerage services.
Section 810(f) of the Fair Housing Act provides that whenever a complaint alleges a discriminatory housing practice within the jurisdiction of a State or local agency that has been certified as providing rights and remedies, procedures and availability of judicial review which are substantially equivalent to those in the Fair Housing Act, the Secretary shall refer such complaint to the certified agency. Section 817 of the Act provides that the Secretary may assist State and local agencies in administering a fair housing law by providing them with financial assistance.

b. Program Background. "Enforcing fair housing for all" is one of HUD's major priorities. The Department is seeking to conduct a national effort which includes all parties active in the fair housing arena. Beginning in 1980, the Department has provided financial assistance to substantially equivalent State and local agencies to enhance their complaint processing capability to support ongoing training for agency staff, and create, modify or improve complaint monitoring systems. Since 1989, under the Comprehensive Funding Approach, HUD has also provided noncompetitive support for agency efforts to inform and educate the public on its rights and responsibilities under the law administered by the agency, as well as for other specialized activities for which the agencies need Federal funding to enhance coordinated enforcement of fair housing laws at the Federal, State and local levels.

2. Community Housing Resource Boards

a. Legislative Authority. Sections 808 and 809 of the Fair Housing Act require the Secretary of HUD to develop a means of extending the range of equal opportunity activities beyond the area of law enforcement by promoting institutional changes designed to secure voluntary compliance with the spirit and letter of the law. HUD is further required through the Act to cooperate with, and render technical assistance to, private organizations whose programs seek to combat and prevent discriminatory housing practices.

b. Program Background. Guidelines for establishing, operating and maintaining Community Housing Resource Boards were developed in 1975 when HUD signed Voluntary Affirmative Marketing Agreements (VAMAs) with the National Association of Realtors (NAR), the National Association of Home Builders (NAHB) and the National Association of Real Estate Brokers (NAREB). The VAMA is signed at the national level and is subsequently implemented by member boards at the local level. Community Housing Resource Boards are organized to work with the local housing industry in developing and implementing their voluntary affirmative marketing programs to achieve the goals of fair housing and equal opportunity. While FHAP financial assistance will no longer be provided to CHRBs, they will be eligible to apply for Education and Outreach assistance under the Fair Housing Initatives Program.

IMPLEMENTATION OF PROGRAM

1. State and Local Fair Housing Agencies

Fair housing assistance to State and local agencies is contingent upon continued substantial equivalency recognition and involves on-site review and evaluation by HUD for acceptable performance. HUD estimates that by 1991, 125 agencies will be participating in the Program, with a signed Memorandum of Understanding, and will be authorized to accept and process HUD-referred complaints. An estimated $6.6 million will be available for obligations to assist these agencies, provide training and technical assistance, and conduct conferences and workshops.

Since 1988, the authority to make awards and administer cooperative agreements under the program resides with the ten HUD Regional Administrators and Regional FHEO Directors. During 1989, a redesign of the program to replace the Type I and II components with a single non-competitive funding mechanism, the Comprehensive Funding Approach, was implemented. More than half of the funding is to support case processing-related activities of the agencies; however, there is now some noncompetitive support for critical outreach, education, testing, and other support activities. These activities are, in turn, essential to increase awareness of fair housing rights and responsibilities, facilitate identification of violations and provide assistance to victims of housing discrimination. Implementation of this new approach included issuance of revised regulations, new application procedures, technical guidance memoranda and training of Field staff and State/local agencies regarding the redesign. The expectation that there would be a great need in communities that did not previously obtain Type II funding was fulfilled with the submission of excellent applications for incentive funds from many communities which have never had Federal support for specialized fair housing activities. In large jurisdictions, however, the low incentive funding levels diminished the degree to which the program encouraged enhanced performance.

In 1990, the Comprehensive Funding approach continues to provide all agencies that obtain a threshold level of complaint activity and an overall record of good performance with special purpose funding to maintain a continuing staff presence in their communities in order to carry out crucial support activities. These amounts were based on need as determined by the population of the jurisdiction. The larger the population to which fair housing information must be disseminated, the greater the amount of financial resources required. The incentive funding levels were increased so that the program could provide a greater impetus for enhanced performance.

Fair Housing Assistance Program

In 1991, the program will continue to provide Comprehensive Funding support. The Department expects that several States which did not previously have recognition agreements will be certified as eligible for capacity building funds. The case processing support will be enhanced to provide an additional level of funding for cases processed under the expanded procedures in the new Fair Housing Amendments. In the incentive component, HUD expects to further refine the criteria based on the first 2 years of implementation and to increase the maximum funding eligibility levels to ensure that this component will, in fact, be an incentive to agencies to improve performance.

The State and local agencies program will continue to provide support for agency participation in training programs sponsored by HUD. HUD anticipates the development of improved training curricula, for which HUD will provide additional training support to agencies, will enable attendance by larger numbers of agency staff than from the prior year. The Department intends will use a limited amount of the funds to develop training modules, instructional materials and other contractual services to support annual training programs and other general enforcement needs. The Department also intends to use a limited amount of funds, if necessary, to enhance computer networking.

The proposed $6.6 million funding level for State and local funding under the comprehensive approach will be allocated as follows:

Capacity Building - $300 Thousand

Approximately six agencies will be eligible for this support and most of these agencies will serve large jurisdictions. A funding level of about $50 thousand per agency is projected. All agencies initially entering into a cooperative complaint processing relationship with HUD need a firm commitment indicating that HUD would provide a reasonable level of financial support in the short term. This commitment of financial support would be unrelated to the actual number of complaints processed by the agency and would enable the agency to develop or enhance its complaint processing resources and establish its working relationship with HUD Regional Offices.

These funds are used to provide resources for actual complaint processing efforts, to establish or improve complaint monitoring, reporting and related data management systems and to develop forms, procedures, brochures and other materials that are in accordance with fair housing needs rather than mere modifications of equal employment forms and materials. During the first 2 years of the relationship, staff need support money to: (1) gain exposure to a broad view of fair housing; (2) travel to other agencies to observe programs and operations; and (3) hire special consultants to assist them in enhancing their fair housing administrative programs.

Training and Support Services - $520 Thousand

All FHAP agencies beyond the capacity building stage will continue to receive funds to support participation in HUD-sponsored training. A limited amount of funds, $60 thousand, will be used for the development of training modules, instructional materials and other contractual support for HUD-sponsored training programs. Approximately 115 agencies will receive support for participation at a level of $4 thousand per agency.

Financial assistance for training is needed to assure that State and local agencies have the skills and technical knowledge required to carry out their enforcement responsibilities. Particularly important will be the training of certified agencies on their added responsibilities under the Fair Housing Amendments. An essential element in administering an effective State or local fair housing program is the training of personnel. Since the 1988 amendments dramatically changed Federal law, updated training on developments and trends, especially HUD legal opinions and court interpretations, is essential for proper administration of fair housing programs. Intermittent, informal training cannot provide the assistance and support necessary for State and local agencies to process housing discrimination complaints in conformity with Federal standards. To assure consistency in the administration of fair housing enforcement, the training component of the program is used for agency expenses associated with participating in HUD-sponsored training.

Fair Housing Assistance Program

Case Processing - $2,800 Thousand

The 1991 request includes $2.8 million to support case processing by FHAP agencies beyond the capacity-building stage. By 1990, FHAP agencies will have processed approximately 3,000 complaints. FHAP agencies are expected to process approximately 500 additional complaints by 1991. This increase is associated with the expanded publicity surrounding efforts to enact equivalent fair housing laws, outreach efforts conducted using the Fair Housing Initiatives Program and the incentive component of this program. Also, additional complaint processing is due to increased public awareness of fair housing rights resulting from the release of PD&R's Housing Discrimination Study and increased referral of complaints based on handicap and familial status, and structural accessibility requirements as FHAP agencies secure certification for these new coverages. The Department anticipates that FHAP agencies will process approximately 3,500 complaints in 1991 at an estimated average cost of $800 per complaint. This request also provides for additional financial support for the cost of conducting administrative hearings or providing legal representation for the complainant where judicial proceedings are selected.

The primary thrust of FHAP continues to be support of case processing of complaints cognizable under the Fair Housing Act and dual-filed with State/local fair housing agencies with substantially equivalent laws.

Incentive Funds - $2,971 Thousand

All FHAP agencies beyond the capacity building stage which meet a threshold level of complaints processed will receive an amount established by population ranges to support their needs for better enforcement, education and outreach activities. Approximately 70 agencies will qualify for these funds by 1991. Support levels will not be less than $30 thousand per agency. Maximum support levels will be established when there is more exact data on the number of agencies which will qualify for incentive funds in 1991. Experience demonstrates that effective fair housing enforcement cannot be limited to case processing but must be supplemented by outreach, education and other compliance and enforcement activities.

PROGRAM HIGHLIGHTS

State and Local Fair Housing Agencies. A number of significant accomplishments have occurred as a result of the financial assistance provided to substantially equivalent agencies. Some of these accomplishments are presented below.

Strengthening of State/Local Laws. The availability of Federal financial assistance has encouraged State and local agencies to develop equivalent fair housing laws and accept referral of complaints filed with HUD. Efforts are currently underway in most of the "grandfathered" jurisdictions and in many non-equivalent States to enact statutes substantially equivalent to the amended Fair Housing Act. In 1991, there will be approximately 125 funded agencies accepting referrals. Some new jurisdictions, such as Texas, will get certification, while some grandfathered agencies will be unable to secure the needed amendments to their statutes to permit them to achieve certification. The Fair Housing Assistance Program is clearly a catalyst for encouraging States and localities to meet the standards of equivalency which would enable them to assume the responsibility for processing allegations of housing discrimination arising in their own jurisdiction.

Training. During fiscal year 1990, the State and local agencies training program was extremely important. The National FHAP Conference for Directors and Commissioners was entitled "Civil Rights Enforcement: Sharing the Responsibility." It focused on the civil rights and fiscal responsibilities of agencies carrying out civil rights programs and who are recipients of Federal financial assistance.

The closing plenary consisted of top Federal officials who administer civil rights programs. There was a special session on contracting out complaints alleging discrimination based on handicap and/or familial status and a workshop on improving case processing techniques. There were six workshops designed to deal with sharing the responsibility and coordinating civil rights enforcement activities. Each Regional Office, in cooperation with neighboring Regions, conducted standardized Regional training which also directed considerable attention to the amendments. On-site training was provided for agency-specific problems to enable participation of all State or local agencies' fair housing staff in some level of training. This resulted in better communications between HUD and agency staff and improved the enforcement quality.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING INITIATIVES PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Program Level:					
Education and Outreach Initiative:					
Number of Awards	...	40	35	40	+5
Obligations	...	$2,000	$4,000	$2,000	-$2,000
Private Enforcement Initiative:					
Number of Awards	...	40	70	40	-30
Obligations	...	$4,000	$6,839	$3,592	-$3,247
Total Obligations	...	6,000	10,839	5,592	-5,247
Appropriation (Budget Authority):					
Enacted or Proposed	$5,000	6,000	6,000	5,600	-400
Appropriation Act Reduction (Sec. 517)	...	...	-93	...	+93
Sequestration	...	...	-68	...	+68
Proposed Transfer to Research and Technology	...	...	...	-8	-8
Total	5,000	6,000	5,839	5,592	-247
Budget Outlays	...	5,200	2,710	7,500	+4,790

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The Budget requests a 1991 appropriation of $5.6 million for the Fair Housing Initiatives Program (FHIP), of which $8 thousand is proposed for transfer to the Research and Technology account for increased evaluation and monitoring of HUD programs.

The Fair Housing Initiatives Program, which is part of an expanded, national fair housing effort to complement the Department's existing enforcement and compliance program, was authorized by the Housing and Community Development Act of 1987, as amended. The program is designed to alleviate housing discrimination by increasing support to public agencies and, for the first time, private nonprofit organizations for the purpose of enhancing housing opportunities for minorities, women, families with children and handicapped persons by detecting, eliminating and preventing discrimination in housing.

The other principal component of the Department's comprehensive fair housing strategy is the Fair Housing Assistance Program (FHAP) for which the Budget proposes a $6.6 million funding level.

2. CHANGES FROM 1989 ESTIMATES INCLUDED IN THE 1990 BUDGET

The 1990 Budget assumed that $5 million would be obligated in 1989; however, this did not occur. The final regulations were not published until May 9, 1989 which delayed the publication of the Notice of Fund Availability (NOFA) and the awards process, precluding obligations and outlays during 1989.

3. CHANGES FROM 1990 BUDGET ESTIMATES

The current estimates of obligations ($4 million for Education and Outreach and $6.8 million for Private Enforcement) are $4.8 million more than the Budget estimate of $6 million. This change is primarily the result of the availability of the unobligated carryover balance of $5 million from 1989 and the reduction/sequestration to the 1990 appropriation.

The estimate of the number of Education and Outreach awards is also revised to reflect a decision to fund 10 awards from the 1989 carryover balance including one or two large national awards. Additionally, the current estimate of awards from 1990 appropriated funds is 25 which will primarily go to Region- and State-wide organizations. The average grant will be $70 thousand.

For the Private Enforcement initiative, the current estimate of awards is 70, including 30 to be funded from the 1989 appropriation and 40 from the 1990 appropriation. The latter estimate is the same as the 1990 Budget.

The 1990 Budget anticipated outlays of $5.2 million for this program. The estimate has been reduced to the current 1990 Budget estimate of $2.7 million to reflect the delayed obligation of funds.

EXPLANATION OF INCREASES AND DECREASES

The 1991 appropriation request of $5.6 million is reduced slightly from the $5.8 million provided in 1990.

The Department estimates that 40 Education and Outreach awards will be made in 1991, an increase of 15 above the 25 estimated to be made from the 1990 appropriation, and 5 above the total number estimated for 1990--from both the 1989 and the 1990 appropriations. Several awards will go to Region- and State-wide organizations that received awards in 1990 to continue and enhance the prior year activities. The majority of 1991 awards will go to local organizations and will be for amounts smaller than the 1990 awards.

The Department anticipates a decrease in the number of awards for the Private Enforcement Initiative, in the absence of further carryover in funding into 1991.

Outlays are expected to significantly increase in 1991 because of drawdowns from the large volume of 1990 obligations which included awards from the 1989 appropriation as well as from the 1990 appropriation.

PROGRAM DESCRIPTION

1. Legislative Authority. Section 561 of the Housing and Community Development Act of 1987, as amended, authorizes grants, contracts, or cooperative agreements to States or local governments or their agencies, public or private nonprofit organizations or institutions, or other public or private entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices.

2. Purpose. The Fair Housing Initiatives Program is intended to supplement the current fair housing enforcement activities of the Department. Those activities include programs of enforcement and compliance, voluntary compliance, and education and outreach. This program provides the means to assist projects and activities designed to enhance compliance with Title VIII and substantially equivalent State and local laws. The Fair Housing Initiatives Program will focus on innovative techniques for both the promotion and enforcement of fair housing laws at the Federal, State and local levels.

3. Program Components. Three major components comprise the Fair Housing Initiatives Program, two of which are proposed for direct funding in 1991.

a. The Administrative Enforcement Initiative. No funding is proposed for this initiative in 1990 and 1991. Specialized fair housing enforcement and compliance activities of State and local governmental agencies, which administer fair housing laws substantially equivalent to the Federal statute, will be funded under FHAP in 1990 and 1991.

b. The Education and Outreach Initiative. The second major component provides assistance to State and local governments or their fair housing agencies, public or private nonprofit organizations or institutions, or other public or private entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices. Education and outreach programs are intended to inform the public, or appropriate segments thereof, of their rights and obligations under Title VIII and substantially equivalent State and local laws. Generally, HUD is authorized to support outreach and education programs provided by State and local fair housing agencies and by Community Housing Resource Boards (CHRBs).

Fair Housing Initiatives Program

There is substantial evidence from testing projects that discrimination in housing has not abated since publication of a national study almost a decade ago. Victims of housing discrimination frequently do not know their rights under Federal, State and local law and do not know where to go for assistance when they believe their rights have been violated.

Examples of the types of projects eligible to apply for funding under this component include:

-- developing informative material and innovative outreach projects to inform all persons of their fair housing rights and responsibilities;

-- developing fair housing and affirmative marketing instructional and educational materials for national, regional and local housing industry groups;

-- providing educational seminars and working sessions for civic associations, community-based organizations and other groups;

-- developing educational material and media campaigns targeted at persons in need of specific or additional information on their fair housing rights; and

-- developing mechanisms for the identification of, and quick response to, housing discrimination cases involving the threat of physical harm.

Projects will continue to be funded which are specifically designed to address housing discrimination under circumstances where it is likely to result in other civil rights violations. Two such areas are employment and education. This approach is consistent with recent court decisions and the efforts of others in industry and education to address the problems they confront as a direct result of housing discrimination.

Outreach will be targeted to areas with significant employment activity, such as communities to which major plants are relocating or industries are expanding. Also, cities that are under court orders or other agreements requiring affirmative recruitment for public employment have a significant impact on fair housing. The lack of open housing can prevent such places from reaching affirmative employment goals.

With respect to equal educational opportunity, the largest cause of school segregation is community housing segregation. It is difficult to effectively implement school integration in a segregated community. Residential desegregation will reduce the need for such strategies as busing to achieve school desegregation. The Department intends to solicit proposals designed to encourage fair housing efforts in conjunction with other efforts designed to mitigate the effects of such discrimination; for example, educational projects that are designed to encourage the housing desegregation of a community in conjunction with efforts to promote school desegregation and equality of educational opportunity.

c. The Private Enforcement Initiative. The third major component expands the capacity of nonprofit organizations or institutions and other public or private entities that are formulating or carrying out programs to prevent discriminatory housing practices and to help enforce fair housing laws. These organizations will be funded to assist in the administrative and judicial enforcement of fair housing laws through support for testing, legal revolving funds, and coordination of resources.

The extensive network of local, nonprofit fair housing centers provides an important and natural source of assistance to persons complaining of discrimination in rental, sales and credit transactions. Moreover, by 1991, the expanded coverage of the Fair Housing Amendments will have been in effect long enough to provide private groups with experience in enforcing the prohibitions against discrimination based on handicap and familial status, as well as complaints of intimidation and coercion. There also will be more experience in the type of data and analysis needed to prepare cases which support a reasonable cause determination. The exercise of the Secretary's authority to initiate investigations and cases and the conduct of a greater number of systemic cases will require a different set of investigative inquiries, data bases, and methods of collecting evidence. Funding under the Private Enforcement initiative will permit greater opportunity for assistance to private groups to develop evidence and monitor compliance.

Fair Housing Initiatives Program

Types of projects to be funded include:

-- linking fair housing agencies and organizations regionally to address discriminatory practices across broader markets;

-- conducting investigations of systemic housing discrimination;

-- professionally conducted testing or other investigative support for administrative and judicial enforcement;

-- establishing effective means of meeting legal expenses related to the litigation of fair housing cases.

With regard to conducting investigations of systemic housing discrimination, there are many activities which require close monitoring by groups on site and knowledgeable about a community. For example, groups can look at large apartment complexes which are not representative of the racial/ethnic composition of a community or which are noticeably segregated within the complex to develop documentation that can be used to initiate complaints or civil actions to correct the problem. The examination of the lending practices of large financial institutions and insuring practices of major property insurance carriers are other examples. Private groups can assist public agencies to look into these and other systemic problems and assist in devising remedies to appropriately and effectively correct the problem. There are a variety of ways that private enforcement efforts can expand to counter broad-scale patterns and practices of segregation and housing discrimination. Community-based private groups have local contacts which make it possible for them to determine what recruitment and referral programs are most likely to result in preventing discrimination. Further, they offer a continuing presence in the community to prevent re-establishment of discriminatory selection and placement practices.

The funding of litigation against the Federal Government through the use of the FHIP funds is not permitted under the authorizing legislation.

PROGRAM IMPLEMENTATION

Following enactment of the Fair Housing Initiatives Program, HUD published a program regulation that was effective May 9, 1989. The Department expects to obligate the 1989 appropriation and the 1990 appropriation during the fourth quarter of fiscal year 1990.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements for each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years—1989, 1990 and 1991.

BUDGET ACTIVITY 6: FAIR HOUSING AND EQUAL OPPORTUNITY

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Total Budget Activity.................	$32,620	$44,295	$39,619	$43,821	+$4,202
Full-Time Permanent Appointments, End of Year...........................	623	732	705	732	+27
Full-Time Equivalents.................	625.1	747.0	691.3	757.6	+66.3
Staff-Years...........................	636.7	751.2	695.5	761.8	+66.3

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The 1991 Budget proposes a funding level of $43,821 thousand, an increase of $4,202 thousand from the 1990 level of $39,619 thousand. A staffing level of 761.8 staff-years is proposed, which is an increase of 66.3 staff-years to the 1990 current estimate. The higher staffing level and related costs are to provide additional support for program levels proposed for 1991. The net increase for staffing and associated costs provides support for the new Fair Housing Amendments Act of 1988, and for intensifying monitoring and enforcement efforts in other areas of fair housing and equal opportunity.

FUNDING

The following table shows actual obligations, by object class, for 1989 and estimated obligations for 1990 and 1991 for this activity.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Personal Services......................	$27,312	$33,650	$31,304	$34,264	+$2,960
Travel and Transportation of Persons..	1,033	1,400	1,016	1,075	+59
Transportation of Things..............	28	34	32	33	+1
Rent, Communications and Utilities....	312	400	398	403	+5
Printing and Reproduction.............	205	250	216	219	+3
Other Services........................	3,178	7,485	5,633	6,526	+893
(ADP Services)......................	(1,518)	(2,839)	(1,866)	(2,710)	(+844)
(Contracts).........................	(1,567)	(4,246)	(3,391)	(3,440)	(+49)
Supplies and Materials................	438	675	702	704	+2
Furniture and Equipment...............	113	400	317	596	+279
Insurance and Indemnities.............	1	1	1	1	...
Total.............................	32,620	44,295	39,619	43,821	+4,202

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $32,620 thousand were $4,772 thousand less than the previous estimate of $37,392 thousand. Obligations were lower than anticipated in part because of the late enactment of the 1989 Supplemental Appropriation to fund implementation of the Fair Housing Amendments. The lower obligations consist of a decrease of $1,518 thousand for personal services due to lower than projected actual staffing and lower average salary and benefits costs and a net decrease of $3,254 thousand in support costs, due to less than estimated obligations for travel, supplies, equipment procurement and automated data processing support.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$44,295
Deduct personal services funds as a result of sequestration and other reductions	-2,294
Deduct for functional transfer of 1.0 staff-year to the Office of Drug-Free Neighborhoods in the Office of General Counsel	-52
Deduct revised estimate for support costs	-2,330
Current 1990 estimate	39,619

The difference in staffing and funding levels from the Budget to the 1990 current estimate reflects the net of the Congressional action, the Section 517 reduction, and sequestration. Funding changes are as follows:

-- the appropriation reduction, sequestration and personal services repricing required a decrease of $2,294 thousand and 54.7 staff-years;

-- a decrease of $52 thousand associated with the transfer of 1.0 staff-year to the Office of General Counsel to establish the Office of Drug-Free Neighborhoods; and

-- a decrease of $2,330 thousand for support costs to meet Budget reductions and on the basis of more recent cost and requirements information, including a reduction of $921 thousand in contracts for Title VIII complaint investigations.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$32,620	$39,619
Changes to staffing level	+2,553	+2,957
Functional transfer to Office of General Counsel	-52	...
Fiscal year 1990 general pay raise	+874	+229
Fiscal year 1991 general pay raise	...	+460
Fiscal year 1991 executive pay raise	...	+43
Rising average salaries and benefits costs	+617	...
Budgeted reduction in average cost per staff-year	...	-729
Changes in automated data processing costs	+348	+844
Changes in technical services	+1,499	-185
Changes in furniture and equipment	+204	+279
Changes in other support costs	+956	+304
Total obligations	39,619	43,821

There is an increase of $3,992 thousand and a net increase of $2,960 thousand for personal services in 1990 and 1991, respectively. The changes reflect the following:

-- the net 58.8 staff-year increase during 1990 results in a funding increase of $2,553 thousand, which includes an offsetting decrease of $52 thousand and 1.0 staff-year for the functional transfer to the Office of Drug-Free Neighborhoods in the Office of General Counsel. The proposed 66.3 staff-year increase in 1991 results in a funding increase of $2,957 thousand;

- -- the general pay raise which became effective during January [illegible] estimated to require an increment of $874 thousand during 1990 and a further increment of $229 thousand during 1991;

- -- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $460 thousand shown would cover a portion of the total requirement;

- -- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $43 thousand shown would cover a portion of this requirement;

- -- rising average salaries and benefits costs will require an additional $617 thousand in 1990; and

- -- a budgeted reduction of $729 thousand in the average cost per staff-year in 1991 reflects the requirement to absorb pay raises and other personal services increases.

Support costs increase $3,007 thousand and a net $1,242 thousand in 1990 and 1991, respectively. The changes reflect the following:

- -- increases in automated data processing (AD) services of $348 thousand and $844 thousand in 1990 and 1991, respectively. The 1990 increase reflects increased systems development effort for the Title VIII Complaint and Compliance Review System;

- -- changes in technical services reflect an increase of $1,499 thousand in 1990 and a decrease of $185 thousand in 1991, primarily due to changes in Title VIII Investigations requirements. A detailed description of these requirements is included in the next section;

- -- changes in furniture and equipment costs to support office automation initiatives reflect increases of $204 thousand and $279 thousand for 1990 and 1991, respectively; and

- -- changes to all other non-personal services costs, such as supplies, printing, and equipment maintenance result in net increases of $956 thousand and $304 thousand for 1990 and 1991, respectively.

4. CONTRACTS

The following table identifies the specific contracts unique to this activity followed by a discussion of those for which 1991 funds are requested:

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Technical Services:					
Title VIII Complaint Investigations..	$654	$2,891	$1,970	$1,750	-$220
In-House Investigations (E.O. 11478).	445	480	480	505	+25
Oral Interpreting Services...........	55	75	75	85	+10
Public Housing Affirmative Compliance Agreements (PHACA)..................	72	200	200	200	...
Subtotal..........................	1,226	3,646	2,725	2,540	-185
Data/Statistical Services:					
Equal Employment Opportunity Commission Data......................	25	25	25	...	-25
CDBG Entitlement Grantee Performance Reports (CGPR Data).....	40	...	...	...	...
Housing Data Analysis................	30	...	...	...	...
Subtotal..........................	95	25	25	...	-25

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Training Contracts - Non-Federal:					
Title VIII Investigation Training....	...	...	$220	$250	+$30
Training VI/109 Implementation Services............................	...	$75	75	100	+25
Subtotal...........................	...	75	295	350	+55
Section 504 Implementation Services....	$196	450	307	500	+193
General Support Services:					
Fair Housing Amendments of 1988 Implementation Support..............	50	50	34	50	+16
Temporary Employment Services........	...	...	5	...	-5
Subtotal...........................	50	50	39	50	+11
Total Contracts..................	1,567	4,246	3,391	3,440	+49

a. Technical Services

Title VIII Complaint Investigations..................................$1,750 Thousand

Beginning in 1989, the Department entered into contracts with State and local agencies to investigate complaints based on handicap and familial status which HUD is responsible for handling under the Fair Housing Amendments Act. Agencies selected were those that had the capability to investigate such complaints but did not have the legal equivalency required under the new legislation for referral.

In 1990, the revised estimate for contract services is $1,970 thousand, a decrease of $921 thousand from the budget estimate of $2,891 thousand. The Department originally estimated that contracting out the investigation of complaints of discrimination based on handicap and familial status would cost approximately $750 per case and that HUD would enter into contracts with State and local agencies for investigation of approximately 1,000 complaints. In order to continue the established contractual relationship during 1990 with those State and local agencies which were funded in 1989, HUD will use approximately $275 thousand to extend contracts with 24 agencies to process approximately 425 additional cases at $650 per case. Additionally, because the number of complaints based on handicap and familial status is greater than anticipated, there is a need to expand contracting activities to more local agencies with the investigative capability. Further, HUD will contract with fair housing consultants to assist in conducting systemic and Secretarial-initiated investigations. Subsequently, HUD plans to award additional contracts from an open competition for the investigation of approximately 1,450 complaints.

In 1991, the Budget request is $1,750 thousand. The cost of contracting out the investigation of complaints of discrimination based on handicap and familial status is expected to be approximately $800 per case and HUD will enter into contracts with State and local agencies for investigations of approximately 1,500 complaints.

The number of complaints filed on the basis of handicap and familial status is expected to increase; however, the level of contracting for these two activities is projected to decrease. It is anticipated that this decrease will result from State and local agencies securing certification by 1991 and processing complaints based on handicap and familial status pursuant to their certification. There also will be a rise in 1991 in the cost of travel, per diem and other investigative costs and an increase in the cost of preparation and transmittal of documents that are required for administrative enforcement proceedings.

Additionally, HUD expects to enter into contracts to implement a nationwide testing program as part of HUD's fair housing enforcement program. This program is designed to assist the Department in the investigation and processing of regular, systemic and Secretary-initiated complaints. Approximately $550,000 is for contracts for this activity.

Salaries and Expenses, Housing and Urban Development
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In-House Investigations (Executive Order 11478)........................$505 Thousand

The Budget includes $505 thousand to investigate complaints of discrimination in 1991. The projected number of EEO complaints to be filed during 1991 will remain constant with 1990's total of one hundred twenty (120). A slight rise is expected in the cost to investigate each complaint filed. The cost of investigating each complaint will be approximately $4,200 per case.

The increase in cost from $4,000 per case during 1990 to $4,200 per case in 1991 increases the total contract amount from $480 thousand in 1990 to $505 thousand in 1991.

To expedite the processing of EEO complaints to closure, the contract requires the EEO investigator, (not HUD staff,) to collect and reproduce documents, to provide added copies of the Reports of Investigations (ROIs), and to develop and issue a copy of the investigative plan to the EEO Officer prior to conducting the investigation. These added features ensure the completeness of the investigation conducted, as well as result in minimum disruption to routine office operations of the HUD facility where the investigation is being conducted.

Oral Interpreter Services..$85 Thousand

The market rates for interpreting service will increase in 1991 by approximately 15 percent. The $85 thousand funding level is needed to greatly expand present contractual arrangements so that FH&O may assure availability of daily interpreting services to meet its own in-house staff needs, plus increasing demands from other HUD Offices at Headquarters.

The market rates for interpreting service increased in 1990 and range from $25.00 to $29.00 per hour, including start-up fees. The most frequent rate for individual interpreters is $26.00 per hour, with a $45.00 start-up fee. Interpreting service firms charge higher rates, from $27.00 to $30.00 per hour with start-up fees of $75.00.

In addition, the implementation of the Section 504 regulation for Federally assisted programs will require obtaining interpreters in many cities for town meetings and HUD staff training efforts.

The proposed $85 thousand will be used to contract for the services of at least two full-time interpreters and provide for an on-call provision of back-up interpreters and on-call provision of multiple needs or to cover activities lasting 2 or more consecutive hours (where several interpreters are needed simultaneously).

Public Housing Affirmative Compliance Agreement Program.................$200 Thousand

These funds will be used to continue clearinghouse activities intended to provide extensive information to the participating and non-participating Public Housing Agencies (PHAs) regarding program requirements and strategies for promoting desegregation and equal opportunity in local public housing programs.

The Public Housing Affirmative Compliance Agreement (PHACA) program is directed towards assuring that local public housing authorities carry out their programs in full conformance with Title VI of the Civil Rights Act of 1964 and affirmatively promote desegregation and equal housing opportunities in every facet of PHA program administration. This contract continues compliance efforts by involving a PHA in an in-depth assessment of its own program relative to Title VI requirements and by urging the PHA to design voluntary actions that can assist in overcoming any problems identified. The program also encourages PHAs to undertake a variety of HUD "preapproved" actions that can serve to promote equal opportunity and which do not require the PHA to undertake a self-assessment. PHAs entering into voluntary agreements receive formal determinations regarding the Title VI status of their programs and are not scheduled for further review by HUD unless a Title VI problem arises either through a complaint or other means.

All participating PHAs are provided technical assistance and small PHAs planning to enter into voluntary agreements are eligible for technical guidance in designing agreements and initiating the steps called for by agreement provisions. In-depth technical assistance is to be provided to the extent possible by utilizing a portion of the $200 thousand. These funds will continue the approach first implemented in 1990 to assist PHAs to design thorough, individually tailored plans of action which address deficiencies found through the self-assessment process.

b. Training Contracts-Non-Federal

Title VIII Investigation Training..$250 Thousand

In 1990, $220 thousand will be used to provide standardized training to staff in State and local agencies, who are investigating housing complaints of discrimination based on handicap and familial status.

In 1991, $250 thousand will be required to train the staff of agencies which entered into contracts with HUD to conduct these investigations.

Title VI/Section 109 Implementation Fund.................................$100 Thousand

In 1990, contracts will be issued to develop a Section 109 compliance manual to implement the new Section 109 compliance program which began in 1989 and to develop a small package of informational brochures for HUD recipients describing the applicable requirements of Title VI and Section 109 to their programs.

In 1991, HUD plans to expand its Title VI compliance program to begin investigations of the Section 8 Existing Housing Certificates Program and Section 8 Housing Voucher program and a limited number of non-profit sponsors administering projects funded under the Section 202 Elderly Housing Program. Approximately $30 thousand will be used to contract for services to develop an in-depth guide for PHAs and sponsors to explain HUD's compliance review program in these areas and to provide an assessment tool for PHAs and sponsors desiring to perform a self-assessment of their status under Title VI requirements. A program to implement this self-assessment process will be initiated in 1992.

HUD also plans to carry out ten town meetings across the country for recipients of HUD Community Development Block Grant funds, to explain the requirements of Section 109 and HUD's new compliance review process. These 2-day sessions will provide an in-depth orientation to Section 109 and the many aspects of program administration affected by these requirements. Approximately $70 thousand will be used to contract for services to develop the schedule, agenda and training manual and to secure conference space and all attendant arrangements for these meetings.

c. Section 504 Implementation Services....................................$500 Thousand

In 1991, the Budget includes a funding level of $500 thousand to continue a responsible level of activity to provide HUD recipients, consumers, other participants such as builders, HUD staff and the public with information and advice regarding Section 504 requirements.

Compliance with Section 504 for HUD recipients raises complex issues that will require careful research, intensive training and dissemination of clear and concise information to recipients, consumers, and HUD staff. Other Federal agencies have developed extensive Section 504 implementation programs. These programs include activities such as nationwide training of various organizations on the collection of data on recipient programs that could be used in compliance reviews. These activities also include general public information programs, outreach and technical assistance materials.

The funding level will make possible such activities as: ten 3-day Section 504 town meetings across the country. These sessions will present more detailed technical information to address complex Section 504 compliance issues; establish a clearinghouse that will provide immediate information on a wide range of Section 504 related topics to consumers, recipients and builders; provide for review of HUD program regulations and handbooks in terms of Section 504; and provide technical assistance to contractors on self-evaluation plans and transition plans.

d. General Support Services

Fair Housing Amendments Act of 1988 Implementation Support.............$50 Thousand

The estimate includes amounts for implementation of the Fair Housing Amendments in 1991 for miscellaneous costs arising out of the potentially voluminous litigation workload. These costs include such costs as court reporters, witness fees, attorney fees, legal seminars and investigative expenses that are expected to occur. The incurring of such costs is inherent in the investigative and litigatory processes, and no alternative funding sources are readily available. The 1990 Budget included $50 thousand for these costs.

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

1. SCOPE OF ACTIVITY

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Title VIII Complaints			
Receipts.................................	6,275	7,833	8,090
Processed................................	4,943	7,833	8,090
HUD Program Compliance			
Title VI/Section 109 Complaints..........	32	65	67
Section 504/Age Discrimination Complaints	227	235	235
Section 504/Age Compliance Reviews.......	12	20	20
Title VI/Section 109 Compliance Review...	72	74	90

The Assistant Secretary for Fair Housing and Equal Opportunity administers civil rights programs in four major areas of responsibility pursuant to civil rights laws and executive orders. Costs for administering these programs are provided under the "Salaries and Expenses" account.

a. Fair Housing. Title VIII of the Civil Rights Act of 1968 prohibits discrimination on the basis of race, color, religion, sex or national origin in the sale or rental of housing, in the provision of brokerage services or real estate transactions. The 1968 Act was amended significantly with the enactment of the Fair Housing Amendments Act of 1988 which expands the coverage of Title VIII to include the prohibitions of discrimination based on familial status or handicap. The Fair Housing Amendments Act of 1988 became effective on March 12, 1989 and greatly expanded the enforcement mechanisms and remedies. Administrative and judicial proceedings were added, either of which may result in monetary penalties if a finding of discrimination is upheld.

Since passage of the new legislation in 1988, the Title VIII workload has greatly increased as a result of the publicity associated with the legislation, the additional categories of discrimination based on handicap and familial procedures, and strengthened enforcement procedures. In 1990 and 1991, the Department expects that the number of complainants assisted will continue to increase, particularly due to the influx of complaints from the handicap and familial status population.

Additionally, Executive Order 11063 prohibits discrimination because of race, color, religion, creed, sex or national origin in the sale or rental of housing and related facilities, specifically where they are provided with assistance or insurance from the Department.

Under the Fair Housing Amendments Act of 1988 and these other authorities, the Assistant Secretary for Fair Housing and Equal Opportunity: (1) carries out investigations and conciliations of housing discrimination complaints and, with the Office of General Counsel, makes determinations of reasonable cause, and participates in administrative or judicial proceedings, caused by an Administrative Law Judge or a U.S. District Court, which can lead to corrective actions and civil penalties; (2) makes determinations, with Department legal staff, that State and local fair housing laws are substantially equivalent to the Fair Housing Act; (3) provides financial assistance to eligible recipients under the Fair Housing Assistance Program (FHAP); and (4) provides financial assistance to public and private entities under the Fair Housing Initiatives Program (FHIP), as authorized by Section 561 of the Housing and Community Development Act of 1987.

The Department also cooperates with the Federal financial regulatory agencies concerning how practices of lending institutions relate to loans insured, guaranteed or purchased by the Department; and implements the Affirmative Fair Housing Marketing requirements of HUD subsidized and unsubsidized housing.

b. Equal Opportunity in HUD-assisted Programs. Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, as amended, and the Age Discrimination Act of 1975, as amended, provide that no person shall, on the grounds of race, color, national origin, handicap or age be excluded from participation, be denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance. Section 109 of the Housing and Community Development Act of 1974, as amended, also prohibits discrimination by program recipients under the Community Development Block Grant and Urban Development Action Grant programs, and includes a prohibition against discrimination on the basis of sex. Under each of these authorities, complaints are investigated and formal compliance reviews are conducted.

c. Training, Employment and Business Opportunities for Residents of HUD Project Areas. Section 3 of the Housing and Urban Development Act of 1968, as amended, requires that the Department, to the greatest extent feasible, establish: (1) job and training opportunities for lower-income persons within the unit of local government or the metropolitan area (or non- metropolitan county) where the project is located; and (2) business opportunities for firms located in or owned in substantial part by persons in the same metropolitan area (or non-metropolitan county) as the project. This authority provides for the investigation and resolution of complaints and the conduct of a compliance review program.

d. Equal Employment Opportunity (EEO). The Assistant Secretary for Fair Housing and Equal Opportunity, as the Director of the Department's EEO program, is responsible for the counseling of complainants and the receipt and investigation of complaints, making the Department's final decision on complaints and monitoring the implementation of HUD affirmative action plans.

e. Voluntary Compliance. The voluntary compliance program promotes the institutionalization of equal housing opportunity programs and procedures in the activities of real estate brokers, builders, rental property managers, appraisers, other housing providers and related industries. The Office is also responsible for establishing a linkage between the local affiliates of the housing industry groups and community groups to assure local monitoring of industry participation in equal housing opportunity programs, and to serve as a vehicle for promoting an awareness of Federal, State and local fair housing laws, and the requirements of voluntary fair housing agreements HUD signs with the housing industry groups.

2. PROGRAM ACTIVITY

To successfully meet the program responsibilities outlined above, the Department will focus upon the roles and responsibilities of HUD, other Federal agencies, State and local governments, and the private sector.

3. WORKLOAD

The principal workload of Fair Housing and Equal Opportunity consists of processing discrimination complaints, conducting compliance reviews, and implementing voluntary programs. This includes responsibility for Title VIII of the Civil Rights Act of 1968, as amended; Title VI of the Civil Rights Act of 1964; Sections 808(a) and 109 of the Housing and Community Development Act of 1974, the Age Discrimination Act of 1975, Section 504 of the Rehabilitation Act of 1973, Executive Orders 11063 and 12259, and Title VII of the Civil Rights Act of 1964.

EXPLANATION OF STAFFING REQUIREMENTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters	127	162	150	162	+12
Field	496	570	555	570	+15
Total	623	732	705	732	+27

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters	145.3	170.3	156.9	169.6	+12.7
Field	491.4	580.9	538.6	592.2	+53.6
Total	636.7	751.2	695.5	761.8	+66.3

The Budget request for 1991 provides an increase of 27 FTPs and 66.3 staff-years above the 1990 staffing level.

These increases are required to continue the implementation of the Fair Housing Amendments Act; enhance FHEO's ability to respond to our Title VI, Section 504 and E. O. 11478 workloads; and support the Program Compliance, FHEO, CPD and Housing programs in the Field.

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within Fair Housing and Equal Opportunity and are followed by a discussion of the functions and staffing requirements for each of those organizations.

1. HEADQUARTERS EMPLOYMENT

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Assistant Secretary............	8	6	7	8	+1
Immediate Office of the Deputy Assistant Secretary for Enforcement and Compliance.....	4	3	4	4	...
Office of Fair Housing Enforcement & Section 3 Compliance......................	35	59	49	55	+6
Office of HUD Program Compliance......................	26	37	20	23	+3
Office of Voluntary Compliance..	7	7	7	7	...
Immediate Office of the Deputy Assistant Secretary for Operations & Management.........	8	7	19	21	+2
Management & Field Coordination....................	22	24	25	25	...
Office of Program Standards & Evaluation......................	17	19	19	19	...
Total full-time permanent appointments, end of year..	127	162	150	162	+12

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Assistant Secretary............	9.1	6.8	7.5	8.3	+.8
Immediate Office of the Deputy Assistant Secretary for Enforcement and Compliance.....	4.5	3.8	4.5	4.5	...
Office of Fair Housing Enforcement and Section 3 Compliance......................	40.2	58.6	51.0	57.6	+6.6
Office of HUD Program Compliance......................	29.7	42.0	21.3	24.1	+2.8
Office of Voluntary Compliance..	8.0	7.4	7.4	7.4	...
Immediate Office of the Deputy Assistant Secretary for Operations and Management......	9.1	7.4	19.4	21.9	+2.5
Office of Management and Field Coordination.............	25.3	24.7	26.2	26.2	...
Office of Program Standards and Evaluation.................	19.4	19.6	19.6	19.6	...
Total staff-years............	145.3	170.3	156.9	169.6	+12.7

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

a. Immediate Office of the Assistant Secretary

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-time permanent appointments, end of year......................	8	6	7	8	+1
Staff-years......................	9.1	6.8	7.5	8.3	+.8

In 1990, increases of one FTP and 0.7 staff-year are required to address the Assistant Secretary's increased need for clerical support.

In 1991, increases of one FTP and 0.8 staff-year are required to work on the planning and scheduling of administrative meetings and hearings pursuant to the Fair Housing Act and Executive Orders 11063 and 12259.

The Assistant Secretary serves as the principal advisor to the Secretary and principal source of advice and technical assistance to other Assistant Secretaries and to the Regional Administrators on all matters relating to equal opportunity in housing and community development, facilities, employment, business opportunities and other matters relating to civil rights. The Assistant Secretary also serves as the Director of Equal Employment Opportunity for the Department.

In addition, the Assistant Secretary, aided by the General Deputy Assistant Secretary, administers the Department's responsibility for fair housing and equal opportunity programs in connection with civil rights laws and executive orders established to protect individuals from discrimination based on race, color, religion, sex, national origin, religion, age, handicap or familial status; represents the Department on matters relating to the administration of equal opportunity programs with other Government agencies and outside groups; is responsible for all activities relative to the conduct of administrative meetings and hearings pursuant to the Fair Housing Act, Executive Orders 11063 and 12259 and Section 3 of the Housing and Urban Development Act of 1968 and contract provisions relating to equal employment opportunity; and is responsible for the review of initial decisions of Administrative Law Judges under Title VI and Section 109.

b. Immediate Office of the Deputy Assistant Secretary for Enforcement and Compliance

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-time permanent appointments, end of year.........................	4	3	4	4	...
Staff-years.........................	4.5	3.8	4.5	4.5	...

The increases on one position and 0.7 staff-year from the 1990 Budget estimate to the 1990 current estimate would provide for a full year the FTP level achieved at the end of 1989.

No staffing changes are requested for 1991.

The Deputy Assistant Secretary for Enforcement and Compliance has responsibility for the development, direction, and administration of programs which provide compliance with civil rights statutes, executive orders and directives through complaint processing, compliance reviews, and voluntary compliance programs. Enforcement and Voluntary Compliance responsibilities are pursuant to the following statutes and executive orders: the Fair Housing Act, including the Fair Housing Amendments of 1988; Section 109 of the Housing and Community Development Act of 1974, as amended; Section 3 of the Housing and Urban Development Act of 1968, as amended; Title VI of the Civil Rights Act of 1964; Executive Orders 11063 and 12259; the Age Discrimination Act of 1975; and Equal Employment Opportunity Contract Clauses. The Office of the Deputy Assistant Secretary includes the Office of Fair Housing Enforcement and Section 3 Compliance, the Office of HUD Program Compliance, and the Office of Voluntary Compliance.

c. Office of Fair Housing Enforcement and Section 3 Compliance

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-time permanent appointments, end of year.....................	35	59	49	55	+6
Staff-years......................	40.2	58.6	51.0	57.6	+6.6

In 1990, the staffing level was decreased by 10 FTPs and 7.6 staff-years as a result of the Gramm-Rudman-Hollings budget sequestration and other reductions.

In 1991, the Budget proposes an increase of six FTPs and 6.6 staff-years to support the implementation of the enhanced Fair Housing Act, the continued administration of the Fair Housing Assistance Program and the Fair Housing Initiatives Program, and to direct a national program of enforcement of systemic processing for fair housing complaints.

The Office of Fair Housing Enforcement and Section 3 Compliance has responsibility for the enforcement and administration of the following fair housing and employment related authorities: Title VIII of the Civil Rights Act of 1968, as amended; Executive Orders 11063 and 12259; Section 561 (FHIP) of the Housing and Community Development Act of 1987 and Section 3 of the Housing and Urban Development Act of 1968, as amended. These responsibilities are carried out through a program of complaint receipts, investigations, resolutions, compliance reviews, the provision of financial assistance to public and private fair housing agencies and organizations, public information and the coordination of Affirmative Fair Housing activities among other Federal agencies. The Office consists of three Divisions: the Investigation Division; the Programs Division; and the Support Services Division. The primary objective of the Office in 1991 is to continue implementation of the Department's comprehensive strategy to strengthen the fair housing enforcement program.

Investigation Division. The Investigation Division carries out the Department's Title VIII Complaint Investigation activities and responsibilities with respect to reviewing complaint processing by Regional Offices, developing and disseminating case processing procedures and standards, and monitoring complaint processing of State and local agencies and administering the Affirmative Fair Housing Marketing Program and Executive Order 11063. This Division is also required to conduct fair housing investigations in the absence of complaints to determine if the Secretary will file a Secretarial-initiated complaint.

Based on the number of cases closed, it is expected that Headquarters will conduct reviews of more than 5,400 Fair Housing Complaint Final Investigative Reports (FIRs), administrative closures and conciliation agreements in 1991. These reviews are necessary in order to determine whether complaints were properly closed, whether there is evidence in any administrative closure that would support a Secretarial-initiated complaint, whether the documentation in investigations submitted for a determination is sufficient to permit referral to the Office of General Counsel and, in general, in order to apprise the Assistant Secretary and Regional Offices of the quality of complaint processing conducted by HUD and by States and localities. Staff prepare carefully crafted and detailed analyses of the performance of each Region and provide each Regional Office with descriptive recommendations regarding FIR improvements and deficiencies.

First, an in-depth analysis will be made of the FIRs to identify any discriminatory practices that may not previously have come to the attention of the Department.

The Fair Housing Amendments required HUD to revise the format of the FIR and to upgrade the documentation that must be included to assure that findings of discrimination are legally supportable and comply with the provisions of the Act. HUD made further revisions to permit easier detection of housing discrimination practices that have systemic implications.

As mandated by Title VIII, the Secretary receives complaints from persons who claim to have been injured by a discriminatory housing practice or believe they will be injured by a discriminatory housing practice that is about to occur. While all complaints filed have implications that may extend to other members of protected classes, some housing complaints are of such a serious nature that the practice complained of is indicative of a pervasive and institutionalized practice that exists throughout all the properties owned and/or managed by the persons(s) against whom the complaint was filed. This sophisticated practice is called systemic discrimination.

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

To attack systemic housing discrimination, specialized work functions were established for HUD Field staff in all Regions with the specific responsibility of bringing the full authority of Title VIII to bear on cases of systemic discrimination. A comparable staff function exists in Headquarters for the purpose of implementation assistance, monitoring, technical assistance, research, coordination, evaluation, identification of expert sources, preparation of case reports for referral to the Office of General Counsel.

In 1991, increases of three FTPs and 3.0 staff-years are required to support: a) the full implementation of the fair housing amendments, especially provisions on construction and design of covered multifamily housing; b) expanded case processing activity in regular and systemic complaints under Title VIII; c) increased Secretarial-initiation of complaints; and d) a greater number of Title VIII compliance agreements which require monitoring.

Programs Division. The Programs Division is responsible for developing and executing intergovernmental programs for fair housing enforcement and coordinating fair housing efforts among Federal agencies. In 1991, the Division will continue to administer four major fair housing programs: 1) Certification of Agencies Enforcing Substantially Equivalent Laws; 2) the Fair Housing Assistance Program; 3) the Fair Housing Initiatives Program; and 4) Coordination of Federal agencies.

In the certification of agencies enforcing substantially equivalent laws, a very high level of activity is anticipated in 1991. In 1988, all agencies which were recognized or had interim referral agreements as of the date of enactment of the fair housing amendments were grandfathered in, for a period of 40 months, for purposes of continued referral of complaints for which they were certified prior to that date. That "grandfathered" status will end in 1991. As most jurisdictions were reluctant to introduce fair housing legislation to strengthen their laws prior to HUD's issuance of final regulations on equivalency in January of 1989, very few agencies will be able to secure certification in 1990.

With the 1989 authorization for funding of the Fair Housing Initiatives Program (FHIP), HUD embarked upon a new program strategy to establish and implement a concerted Federal/State/local effort on a national scale to eliminate discrimination in housing. Although the program regulation and the Notice of Funding Availability for the FHIP were issued in 1989, negotiation and obligation of awards will not occur until the second quarter of 1990. Thus, in 1991, staff will have the responsibility to monitor the successful completion of the project activities under the first year's awards as well as the commencement of activities under new awards made during 1990. A far greater need for intense training and oversight is anticipated than was needed for the Fair Housing Assistance Program because of the nature of organizations eligible to receive funding. Many awards will fund nonprofit agencies which have no prior experience in implementing Federally funded projects. Therefore, such intense oversight is essential to avoid inadequate accounting for ineffective use of the resources.

Section 808 of the Fair Housing Act and Executive Order 12259 require all Federal agencies to administer their housing and urban development programs in a manner to affirmatively further fair housing. Prior to the Fair Housing Amendments, little resources were devoted to implementing these requirements and furthering cooperation and coordination between HUD and the other governmental agencies with fair housing responsibilities. In 1990, HUD will commence activities to work more closely with other Federal agencies and more clearly define the meaning of the affirmative responsibility. By 1991, the Department expects to negotiate memoranda of understanding with a number of Federal agencies having substantial fair housing responsibilities or oversight authority impacting on fair housing. Examples of such types of agencies include the Department of Veterans Affairs, the U.S. Department of Agriculture, the Federal Trade Commission and the Federal Financial Regulatory Agencies.

In 1991, two FTPs and 2.0 staff-years are requested in the Programs Division to support increased coordination of affirmative fair housing requirements of Federal agencies and full implementation of awards and contract management from the 1989 and 1990 funding under the Fair Housing Initiatives Program.

Support Services Division. In 1991, one FTP and 1.6 staff-years are requested in the Support Services Division to handle the additional workload associated with the new accessibility requirements that take effect in 1991 and increase in complaints and compliance reviews anticipated in Title VIII. The Support Services Division provides technical, logistical and research support to the Office of Fair Housing Enforcement and Section 3 Compliance. This Division provides automated data support and statistical analysis to support the findings and recommendations of complex and systemic complaints of housing discrimination, as well as providing data and analyses for the annual Fair Housing Report to Congress. Also, the Division carries out all of the administrative functions for the Office of Fair Housing Enforcement and Section 3 Compliance.

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

d. Office of HUD Program Compliance

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-time permanent appointments, end of year....................	26	37	20	23	+3
Staff-years......................	29.7	42.0	21.3	24.1	+2.8

In 1990, a decrease of 17 FTPs and 20.7 staff-years reflects the transfer of the Public Employment Division to the Immediate Office of the Deputy Assistant Secretary for Operations and Management, and reductions associated with the Gramm-Rudman-Hollings budget sequestration and other reductions.

In 1991, an increase of three FTPs and 2.8 staff-years are proposed to continue the review of Title VI PHA compliance investigations, monitor an additional 150 PHAs subject to Title VI compliance requirements, and the increased workload of the Section 504 Unit.

This Office has the responsibility for enforcement of civil rights compliance requirements involving recipients of Federal financial assistance.

Program Compliance Division. This Division carries out the Department's efforts to ensure and, where necessary enforce: a) the requirements for nondiscrimination under Title VI of the Civil Rights Act of 1964; b) Section 504 of the Rehabilitation Act of 1973; c) Section 109 of the Housing and Community Development Act of 1974; and d) the Age Discrimination Act of 1975. The Division develops operating policies and guidelines for complaint investigations and compliance reviews, trains Field staff to carry out investigative procedures and prepare reports, and evaluates Field performance and negotiates settlements in highly sensitive situations stemming from complaint investigations and compliance reviews.

The impact of the newly published Section 504 Federally-assisted Regulation is already being felt. Other Federal agencies with major Federally-assisted programs experienced significant increases in the number of complaints filed under Section 504 once the Regulation was published. It is very likely that HUD will also experience a significant increase. Pursuant to our Section 504 Regulation we must review and process these complaints within very strict time frames. As previously stated, in 1991, we will conduct 20 Section 504 compliance reviews. This will include reviews of PHAs.

The Division will continue the implementation of the Title VI Public Housing Authority (PHA) compliance investigation program, continue the Section 504 program and complete 20 compliance reviews, continue to identify and work with PHAs interested in undertaking voluntary steps to eliminate segregation and promote equal opportunity in the low-income housing programs (the Public Housing Affirmative Compliance Agreement (PHACA) program). No Title VI compliance reviews of non-PHA assisted housing providers are planned.

Intensive Headquarters efforts in the Section 504 programs will focus on providing technical guidance and training for Field staff at each Regional location.

Two Section 504 Specialist are required to support the additional workload in the unit. One Title VI Specialist is required to support the additional workload in the Title VI program. Title VI Compliance Reviews of PHAs will continue at the level of 80 cases per year through 1991.

e. Office of Voluntary Compliance

	FULL-TIME PERMANENT APPOINTMENTS				
	BUDGET ACTUAL 1989	CURRENT ESTIMATE 1990	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-time permanent appointments, end of year....................	7	7	7	7	...
Staff-years......................	7.4	7.4	7.4	7.4	...

No increases in staffing are proposed for 1990 or 1991.

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

This Office operates under the authority of Section 808(e) and Section 809 of Title VIII of the Civil Rights Act of 1968, as amended. The Office has responsibility for extending the range of fair housing and equal opportunity activities beyond the areas of law enforcement by promoting and supporting institutional changes designed to secure voluntary compliance. Voluntary program activity is targeted to include all sectors of the housing industry, businesses and corporations, State and local governments, community organizations, and contains a component that promotes minority participation in the housing industry professions.

In 1991, this Office will assure closeout of other existing grants, provide technical assistance and training to program constituents; increase industry group participation in the Voluntary Affirmative Marketing Agreements (VAMAs) to compliment the enforcement efforts and provide training and guidance on the requirements of Title VIII and the VAMA to the industry groups participating in the VAMA program.

Voluntary Affirmative Marketing Agreements are mechanisms to expand working relationships with the national trade associations of housing industry groups. Voluntary Affirmative Marketing Agreements (VAMAs) are the Department's major public-private partnership designed to promote private sector involvement in the Federal goal of equal housing opportunity. Each agreement is designed to carry out a variety of HUD Fair Housing and Equal Opportunity programs such as outreach advertising, affirmative employment and safeguards against racial steering--all designed to ensure that housing will be marketed on an equal opportunity basis and the institutionalization of affirmative marketing practices and procedures which lessen the opportunity for individual discriminatory acts. The national association enters into a VAMA and then recommends its adoption by member affiliates on the State and local level.

Currently, there are VAMAs with 1,500 of the 1,800 local boards of the National Association of Realtors (NAR), 87 association and builder groups of the National Association of Home Builders (NAHB), all 200 boards and affiliates of the National Association of Real Estate Brokers (NAREB), and real estate licensing and testing agreements with 50 of the 54 States and territories belonging to the National Association of Real Estate License Law Officials (NARELLO). Each of these agreements must be provided with continued staff support to be effective, and members assisted in understanding the relationship of the 1988 Fair Housing Amendments to their day-to-day activities as housing professionals.

The National Association of Home Builders (NAHB) has over 200 builder boards around the country and thousands of local builder/developer groups that have not become part of the VAMA program. Additionally, the newest VAMA with the National Apartment Association has the potential of involving the 44,000 local apartment associations and State affiliates in the VAMA with HUD. The Office of Voluntary Compliance staff has the critical job of working with the leadership of the industry groups to "sell" the VAMA program to its local groups and increase program participation. This can only be done effectively through on site meetings with local industry group representatives, and training and technical assistance to Field staff to prepare them to implement HUD's commitments under local VAMAs and to assist local signatories in their implementation efforts.

f. Immediate Office of the Deputy Assistant Secretary for Operations and Management

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-time permanent appointments, end of year....................	8	7	19	21	+2
Staff-years......................	9.1	7.4	19.4	21.9	+2.5

In 1990, the staffing level will increase by 12 FTPs and 12.0 staff-years to reflect the transfer of the Public Employment Division from the Office of HUD Program Compliance.

In 1991, two additional FTPs and 2.5 staff-years are required for the Public Employment Staff to handle the increased clerical workload associated with the maintenance of an annual caseload of approximately 200 complaints. The increase will help to improve the timeliness and service provided to the complainants and the staff in the Field who are involved in complaint processing.

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

The Deputy Assistant Secretary for Operations and Management has responsibility for the development, direction, and supervision of programs designed to facilitate the administration of the Office of Fair Housing and Equal Opportunity. This responsibility includes the following activities: a) development of short-range and long-range strategies and research programs; b) utilization of resources to achieve equal opportunity goals; c) evaluation of the effectiveness of Headquarters and Field Offices in meeting program requirements and delivery of services to minorities, women and low-income persons; d) development and supervision of systems for management controls and information; e) training, staff allocation and resource utilization; f) provision of technical assistance and policy guidance to Field organizations; g) performance of technical and management evaluations of Field components; and h) carrying out the Department's internal equal employment opportunity program. The Office of the Deputy Assistant Secretary includes the Affirmative Action Staff, the Public Employment Staff, the Office of Management and Field Coordination, and the Office of Program Standards and Evaluation.

Affirmative Action Staff. The Affirmative Action Staff is responsible for the review, recommendation for approval, and monitoring of HUD's Affirmative Action Employment Program. The staff: (1) provides guidance in the development and implementation of the Headquarters and Regions Affirmative Action Plans; (2) maintains liaison with the Office of Personnel and Training to ensure that Departmental objectives for the Affirmative Action Employment Program are integrated with personnel practices; (3) develops and maintains an evaluation system for determining the effectiveness of the Headquarters and Regions Affirmative Action Plans; (4) develops and provides training sessions for Headquarters and Regional supervisors and staff on general Affirmative Action matters; (5) analyzes the Headquarters and Regions work force to identify particular occupations, organizations, and grade groupings in which minorities and women are under represented; (6) consults with Headquarters and Regional managers at all levels to identify barriers to equal employment opportunities and their causes, assists management in developing short and long-range strategies to eliminate any systemic discrimination, and recommends changes in management policies and practices to eliminate those barriers; and (7) provides support in the area of EEO and Affirmative Action policy development by assembling and digesting all available information on such policies and issues.

Public Employment Staff. The Public Employment Staff is responsible for: a) compliance and enforcement activities under Executive Order 11478, b) the Age Discrimination in Employment Act, as amended, and c) Equal Employment Opportunity Commission and Departmental regulation. Under the Department's Public Employment Program, the Regional and Field staff have minimal responsibilities for complaint processing and decision-making. Instead, the Public Employment Program staff are responsible for the processing of Equal Employment Opportunity (EEO) complaints including the writing of final agency decisions and for servicing designated Regions for the Department. In carrying out their responsibilities, they must remain current with their assigned caseload, provide technical assistance to their designated offices, and research and evaluate the Regions' complaint processing system.

Complaint Activity:	Actual 1989	Estimate 1990	Estimate 1991
Complaints received..................	110	120	120
Carryover from prior year............	198	198	198
Total caseload.....................	308	318	318
Less cases closed....................	-110	-120	-120
Total Cases on Hand, end of year....	198	198	198

This staff has maintained an annual caseload of approximately 200 complaints, divided among permanent staff members. The current staff has eliminated the backlog of complaints awaiting final disposition as well as assisted in the early resolution of complaints through settlements and the closure of complaints through rejections, cancellation, withdrawals and decisions on the merits.

g. Office of Management and Field Coordination

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs. 1990
Full-time permanent appointments, end of year	22	24	25	25	...
Staff-years...............	25.3	24.7	26.2	26.2	...

In 1990, increases of one FTP and 1.5 staff-years are required to address the increased workload associated with the development and maintenance of the management information and control systems.

No staffing changes are requested for 1991.

The Office of Management and Field Coordination has responsibility for all administrative and management services required for operating fair housing and equal opportunity programs at the Headquarters and Field levels. The Office is composed of two divisions: The Division of Management Systems and Services and the Division of Field Support and Evaluation.

Management Systems and Services Division. This Division is responsible for budgetary planning, preparation and control; development and maintenance of management information and control systems; issuances and correspondence control; administrative support systems, and the maintenance and evaluation of data produced by up to 20 automated data systems and micro-computer applications.

Field Support and Evaluation Division. This Division is responsible for principal liaison with the Regions by providing technical and management assistance, policy guidance, developing and managing systems for technical and management evaluations of Field components and performing such evaluations. The Division's activities also include the establishment of performance standards, continuous review and analysis of Field work priorities, and productivity, analysis of staffing and reassignment of Field personnel, development of FHEO training programs and instructional guides and monitoring of FHEO decentralized programs. The Division regularly briefs FHEO managers on policy issues impacting the Field.

Further, during 1991, the Division will expand its reviews of FHEO Field Office operations. Where appropriate, one Category A Office will be reviewed in conjunction with each in-depth Regional Office performance evaluation. These reviews will be more intense than our 1990 review activity and will include: monitoring of HUD selected Field Offices in carrying out Departmental responsibilities related to the Fair Housing performance standards in CDBG Programs as outlined in 24 CFR Part 570.904; assessing the Offices' collection of data on racial and ethnic characteristics of persons eligible for, assisted or otherwise benefitting from community development, housing assistance, mortgage and loan insurance; and examining the Field's role in compliance monitoring activities. In addition, the Division will continue our Follow-up Review Process for selected Regional Offices to assure that program deficiencies are adequately addressed as well as provide on-site technical assistance. The selection of additional Field Offices requiring on-site technical assistance will be based on an analysis of trends resulting from the Automated Performance Evaluation Review System (APERS) which will track Regional Reviews of Field Offices, as well as Headquarters Evaluations of Regions.

A significant activity that the Division will undertake during 1991 which will increase the level of contact with the Field is the participation of FHEO Desk Officers as "peer" reviewers in Regional Reviews of Field Offices. This process will also provide a means for training Regional reviewers in technical program requirements, a skill which has diminished in recent years.

h. Office of Program Standards and Evaluation

	FULL TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-time permanent appointments, end of year	17	19	19	19	...
Staff-years................	19.4	19.6	19.6	19.6	...

No staffing changes are proposed in 1990 or 1991.

The Office of Program Standards & Evaluation (OPSE) has seen its overall charge within FHEO expand considerably with the passage of the Fair Housing Amendments Act of 1988 and the Housing and Community Development Act of 1987. In particular, OPSE has been increasingly serving the Assistant Secretary as a policy formulation unit, not only on all matters associated with the civil rights implications of HUD programs, but also in regard to the need to modify FHEO's own approach to fair housing enforcement and compliance, intra- and inter-departmental coordination (working with OGC and the Department of Justice on Title VIII matters), FHEO funding program objectives and the role of the Field Office and Regional Office fair housing staffs in light of the new law.

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

Program Standards Division. This Division is responsible for reviewing all regulations, handbooks, notices and other issuances relating to the administration of HUD programs and recommending appropriate provisions to implement applicable civil rights laws and Executive Orders. In addition, this Division, in cooperation with the Offices of Public and Indian Housing, Housing and Community Planning and Development, designs equal opportunity performance standards for recipients of HUD programs and guidelines to be followed by FHEO Field staff in the review of civil rights certifications submitted by prospective grantees and monitoring of recipient performance.

Program Evaluation Division. This Division reviews policy and programs; provides evaluation assistance to ongoing programs; strengthens data analysis capabilities in FHEO; and provides feedback to management on needed improvements in policy, programs, and procedures. This Division coordinates and monitors the racial ethnic data collection effort in the Department.

The Division, as an integral part of the Office of Program Standards and Evaluation, develops strategies to accomplish FHEO program objectives; provides evaluation of ongoing programs; strengthens data analysis capabilities in FHEO; and provides feedback to management on needed improvements in policies, programs and procedures. The Division provides performance indicators to assess the procedures followed by FHEO programs in changing practices that restrict or deny housing opportunities for persons protected by civil rights laws.

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

2. FIELD EMPLOYMENT

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Regional Offices....................	367	400	385	400	+15
Field Offices........................	129	170	170	170	...
Total..............................	496	570	555	570	+15

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Regional Offices....................	300.3	383.3	383.0	393.5	+10.5
Field Offices........................	191.1	197.6	155.6	198.7	+43.1
Total..............................	491.4	580.9	538.6	592.2	+53.6

	SUMMARY FIELD STAFFING BY PROGRAM AREA				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Fair Housing Enforcement............	167.3	250.3	258.0	252.8	-5.2
HUD Program Compliance..............	130.8	139.9	110.8	127.5	+16.7
EEO Complaint Assisted..............	...	...	13.4	12.4	-1.0
FHEO Programs.......................	36.3	51.6	31.0	42.7	+11.7
CPD Programs........................	66.5	57.5	51.9	64.1	+12.2
Housing Programs....................	88.3	80.4	72.3	91.5	+19.2
Terminal Leave......................	2.2	1.2	1.2	1.2	...
Total..............................	491.4	580.9	538.6	592.2	+53.6

In 1991, increase of 15 FTPs and 53.6 staff-years are required to support the workload for Program Compliance, FHEO Programs, CPD Programs and Housing Programs.

The principal workload for Field staff consists of complaint processing, compliance reviews, monitoring, application reviews, technical assistance and the support of voluntary compliance efforts. Such activities are undertaken as they relate to the delivery of the Department's housing and community planning and development programs, as well as to activities in the private sector and other Government units.

The Department uses a productivity-based system for developing Field staff requirements, the Resource Allocation Guidelines System (RAGS).

The following tables are based on this system and indicate, for 1990 and 1991, units of production for FHEO staff which have been identified for use in each activity, and the estimated hours required for each unit and the resulting staff-year requirements.

FAIR HOUSING AND EQUAL OPPORTUNITY
DETAIL OF FIELD STAFFING

1989 ACTUAL

RESOURCE ALLOCATION GUIDELINE	ACTUAL ACCOMPLISHMENTS	ACTUAL UNIT HOURS	STAFF-YEARS
Fair Housing Enforcement:			
Title VIII Complainants Assisted	4,943	58.4	138.9
Systemic Complaints Processed	267	75.4	9.7
Compliance Reviews	163	81.3	6.4
FHAP and FHIP Contract Management	155	117.4	8.7
Substantial Equivalency Recognition	98	76.5	3.6
Subtotal	NA	NA	167.3
HUD Program Compliance:			
Funded Agencies Assisted	72	2,131.3	73.8
Section 109 Compliance Reviews	0	0	1.3
Sec. 504/Age Compliance Reviews	12	1,592.3	9.2
Compliance Monitoring	12	504.0	2.9
Title VI/Sec. 109 Complainants Assisted	32	528.9	8.1
Sec. 504/Age Discrimination Complainants Assisted	227	164.0	17.9
EEO Complaints Assisted	61	599.3	17.6
Subtotal	NA	NA	130.8
Voluntary Compliance:			
Education and Outreach	109	75.5	4.0
CHRBs Contracts Managed/Monitored and Technical Assistance	450	89.0	19.2
VAMA Activity/New Horizons Phaseout	1,540	17.8	13.1
Subtotal	NA	NA	36.3
CPD Programs:			
CDBG Document Reviewes	2,071	22.2	22.1
CDBG Monitoring & T/A	1,971	27.4	26.0
UDAG Activities	976	18.9	8.8
Urban Rehabilitation Programs	659	30.2	9.6
Subtotal	NA	NA	66.5
Housing Programs:			
PHA & Sec. 202 Document Reviews	5,801	10.5	29.2
PHA Monitoring	875	69.0	29.0
HoDAG & Insured Housing Program Reviews	5,751	5.8	16.0
AFHMP Monitoring Reviews	1,024	28.8	14.1
Subtotal	NA	NA	88.3
Terminal Leave	NA	NA	+2.2
Total	NA	NA	491.4

Salaries and Expenses, Housing and Urban Development
Fair Housing and Equal Opportunity

FAIR HOUSING AND EQUAL OPPORTUNITY
DETAIL OF FIELD STAFFING

1990 CURRENT ESTIMATES

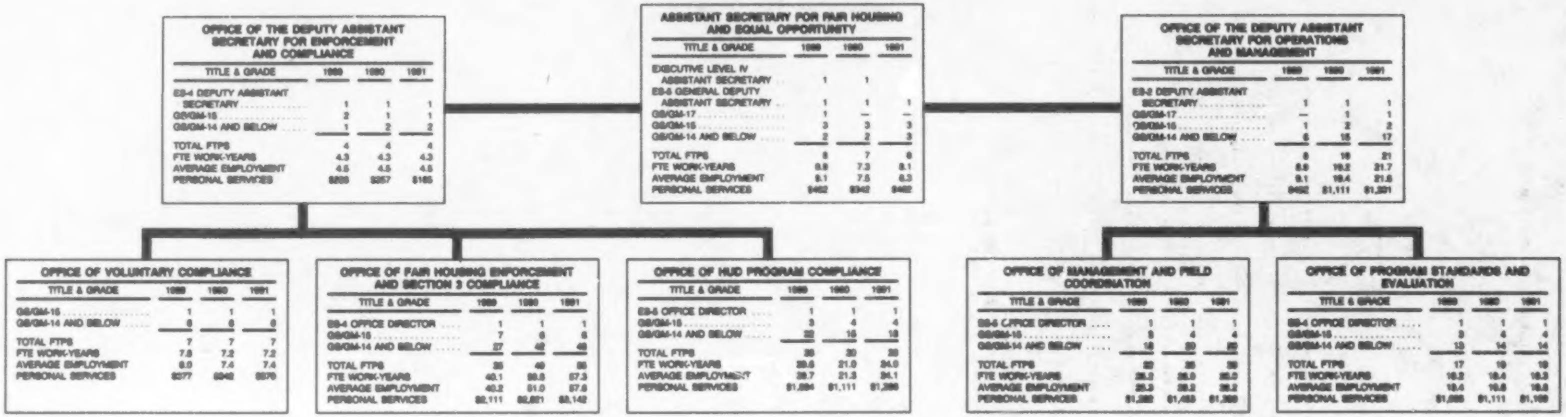
RESOURCE ALLOCATION GUIDELINE	PROJECTED ACCOMPLISHMENTS	PROJECTED UNIT HOURS	STAFF-YEARS
Fair Housing Enforcement:			
Title VIII Complainants Assisted	7,833	57.7	217.4
Systemic Complaints Processed	28	297.1	4.0
Secretary-Initiated	10	1,996.8	9.6
Compliance Reviews	215	68.7	7.1
FHAP and FHIP Contract Management	292	126.1	17.7
Substantial Equivalency Certification	120	38.1	2.2
Subtotal	NA	NA	258.0
HUD Program Compliance:			
Title VI Compliance Reviews	72	1,438.7	49.8
PHACA Program	40	171.6	3.3
Section 109 Compliance Reviews	2	1,560.0	1.5
Sec. 504/Age Compliance Reviews	20	884.0	8.5
Compliance Monitoring	70	549.7	18.5
Title VI/Sec. 109 Complainants Assisted	65	160.0	5.0
Sec. 504/Age Discrimination Complainants Assisted	235	214.2	24.2
Subtotal	NA	NA	110.8
EEO Complaints Assisted	120	232.3	13.4
Voluntary Compliance:			
CHRBs Education and Outreach	81	53.9	2.1
CHRBs Monitored/Assisted	545	67.6	17.7
VAMA Activity/New Horizons Phaseout	1,573	14.8	11.2
Subtotal	NA	NA	31.0
CPD Programs:			
CDBG Document Reviews	2,609	12.3	15.4
CDBG Monitoring & TA	1,774	24.6	21.0
UDAG Activities	1,151	14.3	7.9
Urban Rehabilitation Programs	583	27.1	7.6
Subtotal	NA	NA	51.9
Housing Programs:			
PHA & Sec. 202 Document Reviews	2,639	19.0	24.1
PHA Monitoring	799	56.8	21.8
HoDAG & Insured Housing Program Reviews	4,600	6.5	14.4
AFHMP Monitoring Reviews	999	25.0	12.0
Subtotal	NA	NA	72.3
Terminal Leave	NA	NA	+1.2
Total	NA	NA	538.6

FAIR HOUSING AND EQUAL OPPORTUNITY
DETAIL OF FIELD STAFFING

1991 ESTIMATES

RESOURCE ALLOCATION GUIDELINES	PROJECTED ACCOMPLISHMENTS	PROJECTED UNIT HOURS	STAFF-YEARS
Fair Housing Enforcement:			
Title VIII Complainants Assisted	8,090	55.7	215.9
Systemic Cases and Investigations	20	410.6	3.9
Compliance Reviews	215	92.8	9.6
FHAP/FHIP Management	195	190.0	17.7
Substantial Equivalency Certification	120	100.0	5.7
Subtotal	NA	NA	252.8
HUD Program Compliance:			
Title VI Compliance Reviews	80	1,443.3	55.3
PHACA Program	80	150.0	5.7
Sec. 504 Compliance Reviews	20	887.4	8.5
Compliance Monitoring	150	399.4	28.8
Title VI/Sec. 109 Complainants Assisted	67	155.8	5.0
Sec. 504/Age Discrimination Complainants	235	214.6	24.2
Subtotal	NA	NA	127.5
EEO Complaints Assisted	120	215.8	12.4
FHEO Programs:			
FHIP - Outreach Education Management	65	161.0	5.0
VAMA/CHRBs Management	2,199	32.2	33.9
Enforcement and Compliance Monitoring	380	21.0	3.8
Subtotal	NA	NA	42.7
CPD Programs:			
CDBG Document Reviews	2,608	20.0	25.1
CDBG Monitoring & T/A	1,774	27.4	23.4
UDAG Activities	920	14.3	6.3
Urban Rehabilitation Programs	583	33.3	9.3
Subtotal	NA	NA	64.1
Housing Programs:			
PHA & Sec. 202 Document Reviews	5,801	14.5	40.4
PHA Monitoring	800	60.0	23.1
HoDAG & Insured Housing Program Reviews	4,600	6.5	14.4
AFHM Monitoring Reviews	1,000	28.4	13.6
Subtotal	NA	NA	91.5
Terminal Leave	NA	NA	+1.2
Total	NA	NA	592.2

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FAIR HOUSING AND EQUAL OPPORTUNITY
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	
ES-6 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-17	1	—	—
GS/GM-15	3	3	3
GS/GM-14 AND BELOW	2	2	3
TOTAL FTPS	8	7	8
FTE WORK-YEARS	8.8	7.3	8.1
AVERAGE EMPLOYMENT	9.1	7.5	8.3
PERSONAL SERVICES	$462	$342	$462

OFFICE OF THE DEPUTY ASSISTANT SECRETARY FOR ENFORCEMENT AND COMPLIANCE

TITLE & GRADE	1989	1990	1991
ES-4 DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	2	1	1
GS/GM-14 AND BELOW	1	2	2
TOTAL FTPS	4	4	4
FTE WORK-YEARS	4.3	4.3	4.3
AVERAGE EMPLOYMENT	4.5	4.5	4.5
PERSONAL SERVICES	$288	$257	$165

OFFICE OF THE DEPUTY ASSISTANT SECRETARY FOR OPERATIONS AND MANAGEMENT

TITLE & GRADE	1989	1990	1991
ES-2 DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-17	—	1	1
GS/GM-15	1	2	2
GS/GM-14 AND BELOW	6	15	17
TOTAL FTPS	8	19	21
FTE WORK-YEARS	8.8	19.2	21.7
AVERAGE EMPLOYMENT	9.1	19.4	21.8
PERSONAL SERVICES	$462	$1,111	$1,221

OFFICE OF VOLUNTARY COMPLIANCE

TITLE & GRADE	1989	1990	1991
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	6	6	6
TOTAL FTPS	7	7	7
FTE WORK-YEARS	7.8	7.2	7.2
AVERAGE EMPLOYMENT	8.0	7.4	7.4
PERSONAL SERVICES	$377	$342	$370

OFFICE OF FAIR HOUSING ENFORCEMENT AND SECTION 3 COMPLIANCE

TITLE & GRADE	1989	1990	1991
ES-4 OFFICE DIRECTOR	1	1	1
GS/GM-15	7	6	8
GS/GM-14 AND BELOW	27	42	46
TOTAL FTPS	35	49	55
FTE WORK-YEARS	40.1	50.5	57.3
AVERAGE EMPLOYMENT	40.2	51.0	57.6
PERSONAL SERVICES	$2,111	$2,621	$3,142

OFFICE OF HUD PROGRAM COMPLIANCE

TITLE & GRADE	1989	1990	1991
ES-6 OFFICE DIRECTOR	1	1	1
GS/GM-15	3	4	4
GS/GM-14 AND BELOW	22	15	15
TOTAL FTPS	26	20	20
FTE WORK-YEARS	29.6	21.0	24.0
AVERAGE EMPLOYMENT	28.7	21.3	24.1
PERSONAL SERVICES	$1,284	$1,111	$1,299

OFFICE OF MANAGEMENT AND FIELD COORDINATION

TITLE & GRADE	1989	1990	1991
ES-6 OFFICE DIRECTOR	1	1	1
GS/GM-15	3	4	4
GS/GM-14 AND BELOW	18	30	33
TOTAL FTPS	22	35	38
FTE WORK-YEARS	25.2	28.9	32.0
AVERAGE EMPLOYMENT	25.3	28.2	28.2
PERSONAL SERVICES	$1,282	$1,453	$1,369

OFFICE OF PROGRAM STANDARDS AND EVALUATION

TITLE & GRADE	1989	1990	1991
ES-4 OFFICE DIRECTOR	1	1	1
GS/GM-15	3	4	4
GS/GM-14 AND BELOW	13	14	14
TOTAL FTPS	17	19	19
FTE WORK-YEARS	18.2	18.4	18.3
AVERAGE EMPLOYMENT	18.4	18.6	18.6
PERSONAL SERVICES	$1,085	$1,111	$1,169

SUMMARY
OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY

TITLE & GRADE	1989			1990			1991		
	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL
EXECUTIVE LEVEL IV	1	—	1	1	—	1	1	—	1
ES-6	3	—	3	3	—	3	3	—	3
ES-4	3	—	3	3	—	3	3	—	3
ES-2	1	—	1	1	—	1	1	—	1
GS/GM-17	1	—	1	1	—	1	1	—	1
GS/GM-15	23	9	32	25	10	35	25	10	35
GS/GM-14 AND BELOW	95	487	582	116	545	661	128	560	688
TOTAL FTPS	127	496	623	150	555	705	162	570	732
FTE WORK-YEARS	144.0	481.1	625.1	155.2	536.1	691.3	167.9	589.7	757.6
AVERAGE EMPLOYMENT	145.3	481.4	626.7	156.9	538.6	695.5	169.6	592.2	761.8
PERSONAL SERVICES	$7,539	$19,773	$27,312	$8,548	$22,756	$31,304	$9,341	$25,033	$34,374

FIELD OFFICES

TITLE & GRADE	1989	1990	1991
GS/GM-15	9	10	10
GS/GM-14 AND BELOW	487	545	560
TOTAL FTPS	496	555	570
FTE WORK-YEARS	481.1	536.1	589.7
AVERAGE EMPLOYMENT	481.4	538.6	592.2
PERSONAL SERVICES	$19,773	$22,756	$25,033

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DEPARTMENTAL MANAGEMENT

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expenses requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years--1989, 1990 and 1991.

BUDGET ACTIVITY 7: DEPARTMENTAL MANAGEMENT

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Total Budget Activity..................	$9,799	$10,552	$10,958	$12,558	+$1,600
Full-Time Permanent Appointments, End of Year...........................	105	148	140	141	+1
Full-Time Equivalents..................	122.3	150.0	129.6	147.2	+17.6
Staff-Years............................	127.1	151.5	131.1	148.7	+17.6

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The funding request for 1991 is $12,558 thousand, an increase of $1,600 thousand to the 1990 level of $10,958 thousand. A staffing level of 148.7 staff-years is proposed, an increase of 17.6 staff-years to the 1990 current estimate. The higher staffing level and related costs are primarily to support the Administrative Law Judges in carrying out the requirements of the Fair Housing Amendments of 1988, as well as to support minor increases in other Departmental Management activity. The increase also restores a portion of the staffing level enacted by the Congress prior to sequestration and other funding reductions. The staffing will enable the Departmental Management activity to directly support the Secretary in carrying out his responsibilities to the President and the Congress for the leadership of the Department of Housing and Urban Development.

FUNDING

The following table shows the actual obligations, by object class, for 1989 and estimated obligations for 1990 and 1991 for this activity.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Departmental Management

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Personal Services........................	$6,975	$8,428	$7,554	$8,569	+$1,015
Travel and Transportation of Persons....	283	500	423	703	+280
Transportation of Things................	6	17	6	6	...
Rent, Communications and Utilities......	123	130	210	224	+14
Printing and Reproduction...............	326	299	222	226	+4
Other Services..........................	2,051	1,048	2,419	2,678	+259
(Contracts).............................	(329)	(545)	(469)	(495)	(+26)
(ADP Services)..........................	(1,622)	(372)	(1,829)	(2,066)	(+237)
Supplies and Materials..................	35	80	83	83	...
Furniture and Equipment.................	...	50	41	69	+28
Total...................................	9,799	10,552	10,958	12,558	+1,600

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $9,799 thousand were $357 thousand more than the previous estimate of $9,442 thousand. The higher than anticipated obligations consist of an increase of $859 thousand for support costs, partially offset by a decrease of $502 thousand for personal services costs. The increase in support costs is primarily due to higher than anticipated obligations for automated data processing services associated with a major increase in systems engineering to support the Automated Correspondence On-line Response Network (ACORN).

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current Estimate varies from the 1990 Budget Estimate as follows:

	(Dollars in Thousands)
Budget Estimate..	$10,552
Deduct transfer of International Affairs function to PD&R..	-164
Deduct staff transfer to Office of Drug-Free Neighborhoods.	-86
Less revised estimate for personal services costs..........	-624
Add revised estimate for support costs.....................	+1,280
Current 1990 estimate......................................	10,958

The difference in staffing and funding levels from the Budget to the 1990 current estimate reflects the net of Congressional action, the Section 517 reduction, sequestration and other repricing changes, as well as staffing transfers in connection with functional transfers and realignments. Funding changes are as follows:

-- a decrease of $164 thousand for 2.9 staff-years transferred to the Office of Policy Development and Research in connection with the functional transfer of International Affairs activities;

-- a decrease of $86 thousand for 2.0 staff-years transferred to the Office of General Counsel to establish the Office of Drug-Free Neighborhoods;

-- a decrease of $624 thousand for personal services which is the net of increasing salaries and benefits costs, including the January 1990 general pay raise, more than offset by the 15.5 staff-year reduction; and

-- an increase of $1,280 thousand for support costs on the basis of more recent cost and requirements information, prinipally for automated data processing services, primarily for ACORN.

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Departmental Management

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in	Thousands)
Prior year obligations	$9,799	$10,958
Changes to staffing level	+220	+1,014
Fiscal year 1990 general pay raise	+211	+57
Fiscal year 1991 general pay raise	...	+103
Fiscal year 1991 executive pay raise	...	+92
Rising average salaries and benefits costs	+148	...
Budgeted reduction in average cost per staff-year	...	-251
Changes in travel costs	+140	+280
Changes in automated data processing costs	+207	+237
Changes in contractual costs	+113	+2
Changes in all other support costs	+120	+66
Total obligations	10,958	12,558

There is an increase of $579 thousand in 1990 and a net increase of $1,015 thousand in 1991 for personal services. The changes relect the following:

-- net 4.0 staff-year increase during 1990, consisting of an increase of 8.9 staff-years, partially offset by the transfers of 2.9 staff-years to the Office of Policy Development and Research and 2.0 staff-years to the Office of Drug-Free Neighborhoods, results in a funding increase of $220 thousand, and the proposed 17.6 staff-year increase for 1991 results in a funding increase of $1,014 thousand;

-- the general pay raise which became effective during January 1990 is estimated to require an increment of $211 thousand during 1990 and a further increment of $57 thousand during 1991;

-- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $103 thousand shown would cover a portion of the total requirement;

-- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $92 thousand shown would cover a portion of this requirement;

-- rising average salaries and benefits costs will require an additional $148 thousand in 1990; and

-- a budgeted reduction of $251 thousand in the average cost per staff-year in 1991 reflects the requirements to absorb pay raises and other personal services increases.

Support costs increase $580 thousand in 1990 and $585 thousand in 1991. The increases result from:

-- increases of $140 thousand and $280 thousand for travel in 1990 and 1991, respectively, largely due to expanded requirements for the Office of Administrative Law Judges in matters related to implementation of the Fair Housing Amendments of 1988;

-- increases of $207 thousand and $237 thousand for automated data processing services in 1990 and 1991, respectively, due to a major increase in systems engineering to support the Automated Correspondence On-line Response Network (ACORN), as well as the Secretary's program and financial management reform initiatives;

-- an increase of $113 thousand in 1990 and minimal increase of $2 thousand in 1991 for contractual support, principally for public information activities in support of implementing the Fair Housing Amendments of 1988; and

— changes to all other non-personal services costs, such as supplies, printing and equipment maintenance, result in increases of $120 thousand and $66 thousand in 1990 and 1991, respectively.

4. CONTRACTS

The following table identifies the specific contracts unique to this activity and is followed by a brief description of each item.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Data and Statistical Services					
Office of the Special Assistant to the Secretary for Indian and Alaska Native Programs:					
Data Gathering for Indian and Alaska Native Housing.......................	...	$25	$25	$25	...
Total, Data and Statistical Services..........................	...	25	25	25	...
General Support Services					
Office of the Secretary:					
Temporary Employment Services.........	...	...	51	75	+$24
Total, General Support Services.....	...	...	51	75	+24
Technical Services					
Office of the Secretary:					
LEXIS/NEXIS............................	3	3	3	3	...
Subtotal............................	3	3	3	3	...
Office of Administrative Law Judges:					
LEXIS.................................	3	3	3	3	...
Subtotal............................	3	3	3	3	...
HUD Board of Contract Appeals:					
LEXIS.................................	3	3	3	3	...
Subtotal............................	3	3	3	3	...
Office of Public Affairs:					
News Media Transcripts, Video Tapes and Electronics.......................	25	22	26	31	+5
LEXIS/NEXIS............................	7	10	10	12	+2
Subtotal............................	32	32	36	43	+7
Office of Legislation and Congressional Relations:					
Washington Alert......................	9	10	10	10	...
Subtotal............................	9	10	10	10	...

Salaries and Expenses, Housing and Urban Development
Budget Activity 7: Departmental Management

Office of International Affairs:					
Translation Services	$30	$30	...	...	...
Interpreter Services	85	85	...	...	...
Bilateral Support	14	15	...	...	...
Subtotal	129	130	...	...	...
Total, Technical Services	179	181	$55	$62	+$7
Training Support--Non-Federal Employees					
Office of Small and Disadvantaged Business Utilization:					
Minority Business Conference/Action Outreach on Behalf of Small, Minority, and Women-Owned Businesses	...	25	25	25	...
Total, Training Support	...	25	25	25	...
Public Information Services					
Office of Public Affairs:					
News Delivery Services	20	20	20	20	...
Fair Housing Communications Support (Title VIII)	...	150	144	100	-44
Communication Support Services	130	144	149	188	+39
Total, Public Information Services	150	314	313	308	-5
Total	329	545	469	495	+26

NOTE: The International Affairs function was transferred to the Office of Policy Development and Research in late 1989. Technical Services contracts for that activity are discussed in PD&R's Administrative Expenses Justification.

a. Data Gathering for Indian and Alaska Native Housing.................. $25 Thousand

This contract provides for outside assistance in obtaining architectural, engineering or related studies of cost-efficient Indian housing suitable for Indian reservations. These funds will be used to gather data and prepare the Annual Report to the Congress on Indian and Alaska Native Housing and Community Development where an extensive amount of research is required to obtain statistical and related data on Indian housing and community development programs.

b. Temporary Employment Services... $75 Thousand

Because of a number of initiatives currently being developed in support of the Secretary's priorities, the Office of the Secretary is anticipating a critical need for temporary clerical support in 1990 and 1991. The need will be short-term, based on the timeframe within which the start-up must be accomplished. Tasks such as typing, computer input, word processing, photocopying, mail handling, telephone coverage, and various other related clerical functions will be required. The Office of Personnel Management has issued a rule which allows Government agencies to contract for temporary personnel services, in circumstances such as those now foreseen for the Office of the Secretary. The funding requested for both 1990 and 1991--$51,000 and $75,000, respectively--is based on the need for approximately 4,200 staff-hours in 1990 and 6,300 staff-hours in 1991, at various times during the year, at rates of $8.70 for a general office clerk, $12.40 for a secretary, and $13.35 for a word processor.

c. LEXIS/NEXIS.. $21 Thousand

These data services provide important and timely information and assistance to senior staff in various offices--(1) Office of the Secretary--to monitor new Departmental initiatives and/or proposals under consideration through the news media for public reaction and for the preparation of speeches and remarks; (2) HUD Board of Contract Appeals--to enable the staff to conduct legal research in the most cost efficient manner; (3) Office of the Administrative Law Judges--for legal research to assist the Department's Administrative Law Judges in making rulings on pending court decisions; and (4) Public Affairs--for preparation of press releases, speeches, background and briefing papers, "op-ed" pieces and other written material produced by the Office of Public Affairs. As the use of modern electronic technology by the Federal Government is following the increased use by the private sector, it is anticipated that availability and use of LEXIS/NEXIS will become more important in the future.

d. News Media Transcripts, Video Tapes, and Electronics.................... $31 Thousand

The Office of Public Affairs must provide transcripts and electronic duplicates of media appearances by the Secretary, senior HUD officials, and top level executives of the Administration for analysis, and review by program and policy staff. The need also exists for services which enable the office to communicate using current electronic technology. These kinds of services demand expertise in technology and constitute a special unique requirement for contract funds. An increase in the 1990 funding level--from $22 to $26 thousand--is requested, and a funding level of $31 thousand is requested in 1991. These increases will provide for a greater measure of newswire access by the addition of the Associated Press "A-wire" service, to be retrieved electronically. Because of the expected expansion of the use of these services, Public Affairs requests that the level of funding be incremented accordingly.

e. Washington Alert.. $10 Thousand

These funds are to cover costs of the Washington Alert, a legislative tracking service, which provides the Office of Legislation and Congressional Relations with the ability to more effectively track legislation, obtain information on hearings, mark-up sessions, conferences and floor action. The service also makes available up-to-date vote analysis and member profiles, along with a daily summary of housing issues under consideration and contained in the Congressional Record. This has permitted other cost savings by cancellation of Congressional Quarterly and Congressional Insight subscriptions.

f. Minority Business Conference/Action Outreach on Behalf of Small,
Minority, and Women-Owned Businesses.................................. $25 Thousand

Professional services are needed by the Office of Small and Disadvantaged Business Utilization (OSDBU) to provide expert support for outreach on behalf of small, minority and women business owners. The engagement of outside contractual services will include, but not be limited to, conference management, development and dissemination of materials, and other logistical assistance.

g. News Delivery Services.. $20 Thousand

This contract provides for the distribution of news materials--principally news releases--to media outlets within the Washington, DC metropolitan area.

h. Fair Housing Communications Support (Title VIII)........................ $100 Thousand

These funds are to provide for information outreach to inform the public with respect to the provisions of the Fair Housing Amendments of 1988. This public education program will include new and expanded categories of discrimination, handicapped and familial status.

i. Communication Support Services.. $188 Thousand

These funds provide for the development and display of exhibits, as well as printed materials, to support the public communication needs of the Department and are administered by the Office of Public Affairs in consultation with program offices. The objective is to coordinate Departmental communication efforts for consistency with HUD goals and priorities, to ensure that all communication efforts conform to high professional standards, and to ensure that the vehicles produced reach their intended audiences with relevant and useful information. Increases in funding are requested for 1990 and 1991 in support of Departmental objectives, such as—enterprise zones concept information program; outreach to states, local communities, and the private sector to stimulate coordinated efforts on behalf of the homeless; support program to explain how to achieve resident management and public housing homeownership; information program regarding "Operation Bootstrap;" and the development of a radio broadcast for the Office of the Inspector General.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Departmental Management activity includes the Office of the Secretary and Under Secretary and other staff offices under the Secretary's immediate direction. The responsibilities of the Department are administered under the supervision and direction of the Secretary, who is responsible for the administration of all programs, functions and authorities of the Department. The Under Secretary assists the Secretary in the discharge of his duties and responsibilities, and serves as Acting Secretary in the absence of the Secretary.

2. WORKLOAD

The principal workload of the Departmental Management activity is to directly support the Secretary in carrying out his responsibilities to the President and the Congress for the leadership of the Department of Housing and Urban Development. The staff offices undertake special innovative projects and provide the Secretary with in-depth analyses and review of a broad range of issues which cut across the Department. This includes Departmental oversight coordination and representation on behalf of the Department's mission, as defined by the Secretary's priorities. The structure of this activity reflects the Secretary's judgment of those areas he desires for special emphasis and focus in meeting those responsibilities, as well as the most effective method of coordinating the staff functions involved from an overall Departmental perspective. In addition to the Office of the Secretary and Under Secretary, this activity includes eight small offices of highly specialized staff with Departmentwide responsibility for the following functions: coordination of Field operating policies and procedures, and labor relations matters; intergovernmental relations; Indian and Alaska Native program coordination; participation of small and disadvantaged businesses in the contracting activities of the Department; public affairs; legislation and Congressional relations; and administrative judicial proceedings. Collectively and separately, these offices are essential to the independent formulation and review of Departmental policy and the promotion and interpretation of that policy.

During 1989, organizational changes were made to this budget activity which resulted in the restructuring and consolidation of the Office of Labor Relations under the Office of the Deputy Under Secretary for Field Coordination, and the transfer of the Office of International Affairs along with staff and positions to the Office of Policy Development and Research. These changes were made after a review of the staffing and activities performed by the offices concerned and to provide for enhanced efficiency and management of the functions involved.

3. SUMMARY OF STAFFING REQUIREMENTS

All personnel for the Departmental Management activity are assigned to Headquarters. The summary requirements are as follows:

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year........................	105	148	140	141	+1
Staff-Years.........................	127.1	151.5	131.1	148.7	+17.6

The estimated level of positions fdr 1989 was 136 positions. The actual level of 105 reflects positions which were unfilled at the end of the year, and were primarily related to recruitment of staff for the Office of the Administrative Law Judges in support of the Fair Housing Amendments of 1988, and temporary staff pending permanent appointment in connection with transition activities.

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The 1990 current estimate reflects a decrease of eight positions and 20.4 staff-years to the 1990 Budget estimate. The current levels of 140 positions and 131.1 staff-years are the net effect of: (1) the Congressional reduction of 5.0 staff-years; (2) the transfer of functions related to the Office of International Affairs along with two positions and 2.9 staff-years to the Office of Policy Development and Research; (3) the transfer to two positions and 2.0 staff-years to the newly established Office of Drug-Free Neighborhoods within the Office of General Counsel; and (4) the decrease of 10.5 staff-years to meet the Section 517 reduction, sequestration and other budget reductions.

The 1991 staffing request proposes increases of one position--from 140 to 141--and 17.6 staff-years. The requested increases provide for:

(1) One FTP and 15.1 staff-years for the Department's Office of Administrative Law Judges which would support full-year impact of staffing resources for implementing the Fair Housing Amendments of 1988; and

(2) 1.5 staff-years in the Office of Public Affairs, and 1.0 staff-year in the Office of Legislation and Congressional Relations would provide for a full year the FTP and non-FTP staffing levels achieved by the end of 1990.

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel......................	81.9	128.5	140.7
Temporary and Part-Time Employees..................	40.4	1.4	6.8
Overtime...	1.6	0.6	0.6
Terminal Leave.....................................	3.2	0.6	0.6
Total Staff-Years..................................	127.1	131.1	148.7

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary, and intermittent employment and of special employment programs, which include employment of the handicapped, Vietnam veterans and summer college students.

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EXPLANATION OF STAFFING REQUIREMENTS

The following tables show the distribution of full-time permanent appointments and staff-years for the organizations within Departmental Management. These are followed by a brief discussion of the functions and staffing requirements for each organization.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Secretary/ Under Secretary	23	26	27	27	...
Deputy Under Secretary for Field Coordination	20	12	17	17	...
Deputy Under Secretary for Intergovernmental Relations	6	8	7	7	...
Special Assistant for Indian and Alaska Native Programs	2	3	2	2	...
Small and Disadvantaged Business Utilization	2	7	4	4	...
Labor Relations	...	6	...	...	...
International Affairs	...	4	...	...	...
Public Affairs	20	25	28	28	...
Legislation and Congressional Relations	22	26	28	28	...
Administrative Law Judges	6	24	22	23	+1
HUD Board of Contract Appeals	4	5	5	5	...
Total Full-Time Permanent Appointments, End of Year	105	148	140	141	+1

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Secretary/ Under Secretary	27.6	27.5	28.1	28.1	...
Deputy Under Secretary for Field Coordination	22.0	12.0	18.3	18.3	...
Deputy Under Secretary for Intergovernmental Relations	7.0	9.0	7.5	7.5	...
Special Assistant for Indian and Alaska Native Programs	2.1	3.1	2.1	2.1	...
Small and Disadvantaged Business Utilization	4.1	7.2	4.1	4.1	...
Labor Relations	...	9.3	...	...	...
International Affairs	...	5.4	...	...	...
Public Affairs	25.9	26.0	27.5	29.0	+1.5
Legislation and Congressional Relations	24.6	26.3	27.2	28.2	+1.0
Administrative Law Judges	7.8	19.1	9.7	24.8	+15.1
HUD Board of Contract Appeals	6.0	6.6	6.6	6.6	...
Total Staff-Years	127.1	151.5	131.1	148.7	+17.6

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1. Immediate Office of the Secretary and Under Secretary

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year..............................	23	26	27	27	...
Staff-Years..............................	27.6	27.5	28.1	28.1	...

The increases of one position and 0.6 staff-year from the 1990 Budget estimate to the 1990 current estimate reflect staffing adjustments within the Departmental Management budget activity to meet current workload requirements in carrying out the Secretary's priorities and initiatives.

No staffing changes are proposed for 1991.

The Secretary, as head of the Department and as a Cabinet Member, is responsible for the administration of all programs, functions, and authorities of the Department; for the regulation of the Federal National Mortgage Association; for enforcing Federal Fair Housing law, educating the public on the rights and duties created by that law, and encouraging State and local governments and the private sector to assist the Federal Government in guaranteeing equal housing opportunities; and for advising the President on Federal policy, programs, activities relating to housing and community development, and equal housing opportunity.

The Secretary formulates recommendations for basic policies in the fields of housing and community development for purposes such as the legislative program, the State of the Union Message, and the President's Budget, and works with the Executive Office of the President and with other Federal agencies in keeping economic and fiscal policies in housing and community development consistent with other economic and fiscal policies of the Government.

The Secretary meets with governors and other State officials, county executives and other local officials, and regional and neighborhood leaders, and assists the President in achieving maximum coordination among the various Federal activities which have a major effect upon urban, suburban, metropolitan, or rural housing and community development. The Secretary also meets with and interprets Government housing programs to organizations and officials representing builders, lenders and other members of the housing industry, local government officials, labor and minority groups, and social service organizations.

The Under Secretary assists the Secretary in the performance of his duties and responsibilities, and serves as Acting Secretary in the absence of the Secretary.

2. Office of the Deputy Under Secretary for Field Coordination

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year................................	20	12	17	17	...
Staff-Years................................	22.0	12.0	18.3	18.3	...

The increases of five positions and 6.3 staff-years from the 1990 Budget estimate to the 1990 current estimate are net results of the following:

(1) increases of eight positions and 8.5 staff-years in connection with the restructuring and consolidation of the Office of Labor Relations under the Office of the Deputy Under Secretary for Field Coordination. This change was made after a review of the staffing and activities of the offices concerned and to provide for enhanced efficiency and management of the labor relations function;

(2) decreases of two positions and 2.0 staff-years along with the transfer of staff in support of the newly established Office of Drug-Free Neighborhoods within the Office of General Counsel; and

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(3) decreases of one position and 0.2 staff-year as part of the Gramm-Rudman-Hollings sequestration and other reductions.

No staffing changes are proposed for 1991.

The Office of the Deputy Under Secretary for Field Coordination advises the Secretary, Under Secretary, and other principal staff of the Department on the adequacy and effectiveness of Regional and Field operating policies and procedures, and is the Secretary's principal management official in all matters dealing with the Field Offices of the Department.

The Office of the Deputy Under Secretary for Field Coordination serves as the focal point of communication between Field Offices and the Secretary; oversees and manages the Department's Field Performance Evaluation System; directs task forces or special projects for the Secretary/Under Secretary on program policy and management recommendations to improve Departmental effectiveness; and coordinates the recruitment of key personnel in both Regional and Field Offices. The Office provides for and has overall responsibility for the efficiency and effectiveness of HUD's labor relations/labor standards enforcement functions. The Deputy Under Secretary for Field Coordination serves as principal policy advisor to the Secretary on labor relations matters, labor standards enforcement, and organized labor--particularly the building and construction trades.

Other functions include:

a. participating in organization, structure, and executive level staffing decisions as they relate to improved operations of the Regional and Field Offices;

b. reviewing all adverse actions taken by Field managers and serving as the deciding official in all adverse actions proposed by Regional Administrators;

c. monitoring and coordinating Field operating policies as they pertain to the Management Plan process;

d. providing oversight of Field audits management activities and assisting in ensuring Field compliance with established timeframes for audit determination and resolution;

e. conducting special projects/analyses as needed when cross-program problems surface in the Field;

f. identifying program or procedural problems in the Field and initiating corrective measures which may be required to improve the delivery of Departmental services and products;

g. managing the Field Direction and Operational Support budget account;

h. reviewing and analyzing comments from Regional and Field Offices on proposed regulations and issuances;

i. serving as rating and/or reviewing official under the Performance Appraisal System for key Field positions;

j. coordinating Headquarters-directed meetings of Field staff;

k. approving all Headquarters-directed travel of Field personnel;

l. approving all inter-regional travel performed by Field staff; and

m. reviewing training-related travel by Field personnel to ensure that training resources are being effectively utilized by Field managers.

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3. Office of the Deputy Under Secretary for Intergovernmental Relations

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments,					
End of Year.............................	6	8	7	7	...
Staff-Years.............................	7.0	9.0	7.5	7.5	...

The decreases of one position and 1.5 staff-years from the 1990 Budget estimate to the 1990 current estimate reflect staffing adjustments within the Departmental Management budget activity to meet current workload requirements in carrying out the Secretary's priorities and initiatives consistent with the Department's emphasis on efficient operation.

No staffing changes are proposed for 1991.

The Office of the Deputy Under Secretary for Intergovernmental Relations coordinates all intergovernmental activities of the Department to ensure consistent policy formulation and implementation. The Deputy Under Secretary serves as the principal point of contact with State and local governments and Public Interest Groups on Departmental intergovernmental policy. The Deputy Under Secretary also maintains an advocacy role with Assistant Secretaries regarding State and local governmental needs and concerns, and advises the Secretary in the development of Departmental urban and regional strategies and national urban policy as they affect State and local governments. In addition, this Office is the focal point for coordination of Departmental plans, policies, and strategies for grant, research, and demonstration programs directed towards intergovernmental activities and governmental capacity building for State and local governments. The Office coordinates various other Departmental functions, such as women's programs, Hispanic and minority programs.

4. Special Assistant to the Secretary for Indian and Alaska Native Programs

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments,					
End of Year.............................	2	3	2	2	...
Staff-Years.............................	2.1	3.1	2.1	2.1	...

The decreases of one position and 1.0 staff-year from the 1990 Budget estimate to the 1990 current estimate reflect staffing adjustments within the Departmental Management budget activity consistent with the Department's emphasis on efficient operation.

No staffing changes are proposed for 1991.

The Office of the Special Assistant for Indian and Alaska Native Programs was established in 1978 pursuant to the provisions of the Housing and Community Development Act of 1977 which states: "There shall be in the Department a Special Assistant for Indian and Alaska Native Programs who shall be responsible for coordinating all programs of the Department relating to Indian and Alaska Native housing and community development." The Office coordinates all programs of the Department relating to Indian and Alaska native housing and community development and serves as principal advisor to the Secretary and other Departmental officials on current activities, problems and needs of Indians and Alaska natives and ensures that their housing and community development concerns are addressed in HUD policy and program decisions. The Office assists in developing an overall Departmental policy statement clarifying HUD's commitment to improve delivery of programs to Indians and Alaska natives. The Office prepares for the Secretary periodic reports to the Congress regarding progress toward the objectives of the legislation.

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5. Office of Small and Disadvantaged Business Utilization

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year	2	7	4	4	...
Staff-Years	4.1	7.2	4.1	4.1	...

The decreases of three positions and 3.1 staff-years from the 1990 Budget estimate to the 1990 current estimate reflect staffing adjustments within the Departmental Management budget activity consistent with the Department's emphasis on efficient operation.

No staffing changes are proposed for 1991.

The Office is responsible for providing technical direction and coordination on all matters relating to the Department's participation in small and disadvantaged businesses in the contracting activities of the Department. The Office oversees the Department's small and disadvantaged business set-aside activity, and has Departmentwide responsibility for carrying out relevant authorities for the Department's Minority Business Enterprise (MBE) programs, including monitoring, evaluating and reporting MBE activities to the Secretary, the Congress, the President, and the general public. The Director of Small and Disadvantaged Business Utilization represents the Secretary before Congressional committees and at meetings on related program activities with Federal, State and municipal or private organizations. This Office was established in 1979 pursuant to the provisions of Section 15(k) of the Small Business Act, as amended (Sec. 221, P.L. 95-507).

6. Office of the Assistant to the Secretary for Labor Relations

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year	...	8	...	...	...
Staff-Years	...	9.3	...	...	...

No staffing is proposed for this Office during 1990 and 1991.

As part of organizational changes made to the Departmental Management budget activity during 1989, the functions of the Office of Labor Relations were restructured and consolidated under the Office of the Deputy Under Secretary for Field Coordination along with existing staff and positions. This change was made after a review of the functions involved and to provide for enhanced efficiency and management of the labor relations activities of the Department.

7. Office of the Assistant to the Secretary for International Affairs

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year	...	4	...	...	...
Staff-Years	...	5.4	...	...	...

No staffing is proposed for this Office during 1990 and 1991.

As part of organizational changes made to the Departmental Management budget activity during 1989, the Office of International Affairs along with staff and positions was transferred to the Office of Policy Development and Research. This change was made after a review of the functions involved and to provide for enhanced efficiency and management of the International Affairs activities of the Department.

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8. Office of the Assistant Secretary for Public Affairs

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year...............................	20	25	28	28	...
Staff-Years...............................	25.9	26.0	27.5	29.0	+1.5

The increases of three positions and 1.5 staff-years from the 1990 Budget estimate to the 1990 current estimate reflect staffing adjustments within the Departmental management budget activity to meet current workload requirements in carrying out the Secretary's priorities and initiatives.

The increase of 1.5 staff-years for 1991 would provide for a full year the FTP and non-FTP staffing levels achieved by the end of 1990.

The Office of the Assistant Secretary for Public Affairs is the principal advisory unit to the Secretary and Departmental staff on public information and media relations. The Office also serves as the central coordinating point for all communciation activities within the Department. The Assistant Secretary for Public Affairs advises the Secretary and other principal staff of the Department on matters relating to public affairs, public information, and printed and audio-visual information materials intended for the Department's various constituencies and for the general public. The Office generates in-depth information through the use of reports and other material both from within the Department and from sources outside, such as legislative bodies, constituent organizations and representatives of the private sector; develops communication programs; implements special projects; responds to inquires and distributes informational material both within the Department and to the public; coordinates Field public affairs activities; schedules and prepares for the Secretary's public appearances; and provides other public information services to the Department. Informational activities are keyed to the following objectives:

a. describing and explaining HUD's programs so that all program participants, prospective participants and potential beneficiaries are aware of the nature and manner of operation of these programs;

b. ensuring that citizens are informed of the rights conferred upon them and the remedies available to them through the statutes, executive orders and regulations administered by HUD;

c. accounting, to the public at large and to groups and individuals particularly concerned, for the Department's policies, procedures, objectives and progress towards attainment of objectives;

d. making HUD's stewardship of public funds a matter of public record through release of relevant information;

e. preparing and making available information designed to assist people in making prudent decisions regarding acquisition and maintenance of a home; and

f. responding promptly and fully to inquiries received from the public and the press.

The objectives of the Office are carried out through four main operating elements:

a. The Office of Press Relations. Provides the public and HUD's constituency groups with pertinent information about the Department's program activities and services; prepares and releases news in the form of press releases, announcements, statements, articles and other written material on the Department; arranges for and monitors Washington news conferences, interviews and other news media contacts for senior Department officials and responds to requests from and maintains liaison with the print and electronic news media.

b. Office of Policy Support. Prepares all speeches, remarks, testimony and other material for the Secretary's public speaking engagements; completes special projects of a limited duration or, conversely, of a routine continuing nature, such as responding to correspondence from the general public; formulates responses to broad-based inquiries, cutting across program lines, received from researchers, analysts and scholars; researches, assembles, organizes and develops information on policy issues; and monitors all contracts for communication and public information support. Heads the Communications Review Board which is responsible for coordinating the publications activities of the Department.

c. Office of Field Operations and Exhibits. Coordinates Field public affairs activities; develops standard replies for high-volume requests and locates material to fill specialized inquiries; plans and coordinates the development of audio-visual productions for communicating programs, goals, and priorities of the Department; coordinates exhibit schedule for the Department, and has oversight of information content and graphics of existing and proposed Department exhibits; monitors major daily newspapers and a selection of periodicals; prepares the Secretary's News Report, a clipsheet containing news items appearing in the nation's press; and oversees all printing production and distribution for the Office.

d. Office of Scheduling and Liaison. Schedules the daily activities of the Secretary and prepares appropriate briefing and background material on his appointments and engagements; prepares briefing books for use by the Secretary and other Departmental senior officials concerning their speaking engagements and participation in public events; maintains contacts in localities in which HUD officials are scheduled to make appearances and coordinates preparations for those appearances; prepares and distributes periodic schedules of these appearances; maintains liaison with national organizations interested in HUD programs and activities; and takes action on requests for HUD participation in events planned by civic or commercial sponsors.

Communication Support Services

The communication support services program, established and maintained by the Office of the Assistant Secretary for Public Affairs, consolidates HUD public information, related activities and services within a single organization for the purpose of targeting and managing such activities more effectively. The Office of the Assistant Secretary for Public Affairs utilizes its total resources, both material and personnel, to provide this communication support for the Secretary and the Department.

Activities conducted under this program consist of the following:

-- Homeownership and Affordable Housing Opportunities. An information program to inform the public of various Departmental initiatives to expand homeownership opportunities through more affordable housing.

-- Enterprise Zones. A communications program providing information to the public on the concept of enterprise zones and how enterprise zones can work in their communities.

-- Homelessness. Support for outreach to states, local communities, and the private sector to stimulate coordinated efforts on behalf of the homeless.

-- Resident Management and Homesteading. A support program to explain how to achieve resident management and public housing homeownership.

-- Fair Housing. Various activities to inform the public of their rights under the Fair Housing laws.

-- Drug-Free Public Housing. A comprehensive campaign to replicate successful efforts in the removal of drugs and drug related crime from public housing.

-- Operation Bootstrap. A public information campaign explaining operation bootstrap and how it works.

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9. Office of the Assistant Secretary for Legislation and Congressional Relations

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year............................	22	26	28	28	...
Staff-Years............................	24.6	26.3	27.2	28.2	+1.0

The increases of two positions and 0.9 staff-year from the 1990 Budget estimate to the 1990 current estimate reflect staffing adjustments within the Departmental Management budget activity to meet current workload requirements in carrying out the Secretary's priorities and initiatives.

The increase of 1.0 staff-year in 1991 would provide for a full-year the FTP level achieved by the end of 1990.

The Office of Legislation and Congressional Relations works with relevant program offices in developing the Department's legislative program in cooperation with the Office of the General Counsel; oversees the progress of the Department's legislative and appropriations programs in the Congress and coordinates with the Office of the General Counsel the expression of the Department's position on legislative proposals under consideration; coordinates the preparation of Departmental testimony by program offices; and resolves intradepartmental policy differences and differences between the Department and the Office of Management and Budget on legislative matters.

The Office is also responsible for providing services to the Congress and serves as the focal point for inquiries, communications and general information as they relate to the Department's policies and activities.

10. Office of Administrative Law Judges

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year............................	6	24	22	23	+1
Staff-Years............................	7.8	19.1	9.7	24.8	+15.1

The decreases of two positions and 9.4 staff years from the 1990 Budget estimate to the 1990 current estimate reflect the greater than anticipated lag time between the hiring and training of fair housing investigators, and the completion of legally sufficient final investigative reports. Accordingly, the number of cases becoming ripe for adjudication under the Fair Housing Amendments Act of 1988 has been lower than initially expected.

The increases of one position and 15.1 staff-years in 1991 reflect the anticipated increase in caseload as the above mentioned lag time ceases to be a factor, and the complaint level, which is in line with original estimates, gradually produces an increase in the number of cases which become ripe for adjudication. The staff-year increase would support staff brought on board during 1990 for the full year. The increase also supports restoration of a portion of the reduction in 1990 staffing levels from those enacted by the Congress prior to sequestration and other reductions.

The Fair Housing Amendments Act of 1988 provides that the Office of Administrative Law Judges must commence hearings within 120 days following the Secretary's issuance of a charge of discrimination, which would come after the 100-day investigation period. The Administrative Law Judge (ALJ) must issue findings of fact and conclusions of law within 60 days after the conclusion of hearings. The decision is accompanied by appropriate orders and penalties which may include equitable relief, compensatory damages, and civil money penalities. The Act also requires that the hearing take place in the vicinity in which the discrimination is alleged to have occurred. This means that the ALJs must travel extensively.

The ALJs also hear and decide cases arising under the Administrative Procedure Act and other laws and regulations administered by the Department in which either the Secretary or an ALJ is by law or Departmental regulation required to be the presiding official.

ALJs are independent, impartial triers of fact in on-the-record hearings similar to trial judges conducting civil trials without a jury. ALJs conduct formal and informal hearings in various locations throughout the United States and control the proceedings from the time a case is assigned until an initial or recommended decision is issued. The decision generally becomes the final decision of the Department.

11. HUD Board of Contract Appeals

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year..............................	4	5	5	5	...
Staff-Years..............................	6.0	6.6	6.6	6.6	...

No staffing changes are proposed for 1991.

Pursuant to the Contract Disputes Act of 1978 (P.L. 95-563), the HUD Board of Contract Appeals acts for the Secretary as an independent forum for hearings and for the issuance of final decisions in all appeals by contractors from final written decisions of contracting officers. The decisions of the Board in these appeals are binding on the Department and the contractor, but can be appealed to the U.S. Court of Appeals for the Federal Circuit. In addition, the Board hears and makes determinations on behalf of the Secretary on administrative appeals relating to grants, the debarment and suspension of contractors, Mortgagee Review Board decisions, and Departmental actions related to IRS offsets of tax refunds of individuals indebted to the Department.

The Board has the flexibility to provide either a full trial with discovery, subpoenas, and formal trial procedures, or more informal, expedited hearings for appellants with small claims against the Department. All final decisions are written, and more than half of the Board's hearings are held in the appellant's city to accommodate small business and *pro se* appellants.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE SECRETARY
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

IMMEDIATE OFFICE OF THE SECRETARY AND UNDER SECRETARY

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL I SECRETARY	1	1	1
EXECUTIVE LEVEL II UNDER SECRETARY	1	1	1
ES-6 SPECIAL ADVISOR	2	2	2
ES-6 EXECUTIVE ASSISTANT TO THE SECRETARY	—	1	1
ES-6 ASSISTANT TO THE SECRETARY	—	1	1
ES-6 SENIOR ADVISOR	—	1	1
ES-3 EXECUTIVE ASSISTANT TO THE SECRETARY	1	—	—
ES-3 ASSISTANT TO THE SECRETARY	1	—	—
ES-3 SENIOR ADVISOR	1	—	—
GS/GM-15	3	4	4
GS/GM-14 AND BELOW	13	16	16
TOTAL FTPS	23	27	27
FTE WORK-YEARS	24.8	27.0	27.0
AVERAGE EMPLOYMENT	27.6	28.1	28.1
PERSONAL SERVICES	[illegible]	[illegible]	[illegible]

OFFICE OF THE ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-6 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
ES-3 DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	3	4	4
GS/GM-14 AND BELOW	14	21	21
TOTAL FTPS	20	28	28
FTE WORK-YEARS	24.5	27.1	28.5
AVERAGE EMPLOYMENT	25.6	27.5	28.0
PERSONAL SERVICES	$1,[illegible]	$1,[illegible]	$1,[illegible]

DEPUTY UNDER SECRETARY FOR FIELD COORDINATION

TITLE & GRADE	1989	1990	1991
ES-6 DEPUTY UNDER SECRETARY	1	1	1
ES-4 DIRECTOR	1	1	1
GS/GM-15	6	7	7
GS/GM-14 AND BELOW	12	8	8
TOTAL FTPS	20	17	17
FTE WORK-YEARS	22.0	18.3	18.3
AVERAGE EMPLOYMENT	22.0	18.5	18.3
PERSONAL SERVICES	$1,140	$975	$1,[illegible]

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION AND CONGRESSIONAL RELATIONS

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-3 DEPUTY ASSISTANT SECRETARY	1	1	2
ES-2 DEPUTY ASSISTANT SECRETARY	1	1	—
GS/GM-15	7	8	8
GS/GM-14 AND BELOW	12	19	19
TOTAL FTPS	22	30	30
FTE WORK-YEARS	24.0	27.2	28.2
AVERAGE EMPLOYMENT	24.8	27.2	28.2
PERSONAL SERVICES	$1,186	$1,[illegible]	$1,472

DEPUTY UNDER SECRETARY FOR INTERGOVERNMENTAL RELATIONS

TITLE & GRADE	1989	1990	1991
ES-6 DEPUTY UNDER SECRETARY	1	1	1
ES-2 ASSOCIATE DEPUTY	1	1	1
GS/GM-15	3	3	3
GS/GM-14 AND BELOW	1	2	2
TOTAL FTPS	6	7	7
FTE WORK-YEARS	7.0	7.5	7.8
AVERAGE EMPLOYMENT	7.0	7.5	7.5
PERSONAL SERVICES	[illegible]	[illegible]	[illegible]

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

TITLE & GRADE	1989	1990	1991
GS/GM-15	—	1	1
GS/GM-14 AND BELOW	2	3	3
TOTAL FTPS	2	4	4
FTE WORK-YEARS	4.1	4.1	4.1
AVERAGE EMPLOYMENT	4.1	4.1	4.1
PERSONAL SERVICES	$135	$150	[illegible]

HUD BOARD OF CONTRACT APPEALS

TITLE & GRADE	1989	1990	1991
GS-18 CHAIRPERSON	1	1	1
GS-17 VICE-CHAIRPERSON	1	1	1
GS-16 MEMBER	1	1	1
GS/GM-14 AND BELOW	1	2	2
TOTAL FTPS	4	5	5
FTE WORK-YEARS	6.0	6.6	6.6
AVERAGE EMPLOYMENT	6.4	6.6	6.6
PERSONAL SERVICES	[illegible]	$473	[illegible]

INDIAN AND ALASKA NATIVE PROGRAMS

TITLE & GRADE	1989	1990	1991
GS/GM-14 AND BELOW	2	2	2
TOTAL FTPS	2	2	2
FTE WORK-YEARS	2.1	2.1	2.1
AVERAGE EMPLOYMENT	2.1	2.1	2.1
PERSONAL SERVICES	[illegible]	[illegible]	[illegible]

ADMINISTRATIVE LAW JUDGES

TITLE & GRADE	1989	1990	1991
GS-16 ADMINISTRATIVE LAW JUDGE	3	3	3
GS/GM-14 AND BELOW	3	19	20
TOTAL FTPS	6	22	23
FTE WORK-YEARS	7.0	8.7	24.0
AVERAGE EMPLOYMENT	7.0	8.7	24.9
PERSONAL SERVICES	$375	$479	$1,[illegible]

SUMMARY OFFICE OF THE SECRETARY

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL I SECRETARY	1	1	1
EXECUTIVE LEVEL II UNDER SECRETARY	1	1	1
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	2	2	2
ES-6 DEPUTY UNDER SECRETARY	1	1	1
ES-6 SPECIAL ADVISOR	2	2	2
ES-6 EXECUTIVE ASSISTANT TO THE SECRETARY	—	1	1
ES-6 ASSISTANT TO THE SECRETARY	—	1	1
ES-6 SENIOR ADVISOR	—	1	1
ES-6 GENERAL DEPUTY ASSISTANT SECRETARY	1	1	1
ES-6 DEPUTY UNDER SECRETARY	1	1	1
ES-4 DIRECTOR	1	1	1
ES-3 EXECUTIVE ASSISTANT TO THE SECRETARY	1	—	—
ES-3 ASSISTANT TO THE SECRETARY	1	—	—
ES-3 SENIOR ADVISOR	1	—	—
ES-3 DEPUTY ASSISTANT SECRETARY	2	2	3
ES-2 DEPUTY ASSISTANT SECRETARY	1	1	—
ES-2 ASSOCIATE DEPUTY	1	1	1
GS-18 CHAIRPERSON	1	1	1
GS-17 VICE-CHAIRPERSON	1	1	1
GS-16 ADMINISTRATIVE LAW JUDGE	3	3	3
GS-16 MEMBER	1	1	1
GS/GM-15	[illegible]	[illegible]	[illegible]
GS/GM-14 AND BELOW	[illegible]	[illegible]	[illegible]
TOTAL FTPS	120	140	141
FTE WORK-YEARS	128.3	139.6	147.2
AVERAGE EMPLOYMENT	127.1	131.1	148.7
PERSONAL SERVICES	[illegible]	$7,[illegible]	[illegible]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented ~~on a comparable~~ basis for the 3 fiscal years--1989, 1990 and 1991.

BUDGET ACTIVITY 8: GENERAL COUNSEL

ACTIVITY HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Total Budget Activity................	$13,438	$16,847	$15,694	$17,869	+$2,175
Full-Time Permanent Appointments, End of Year.........................	215	270	235	264	+29
Full-Time Equivalents................	218.4	260.0	236.4	269.5	+33.1
Staff-Years..........................	221.2	261.5	237.9	271.0	+33.1

Note: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The funding request for 1991 is $17,869 thousand, an increase of $2,175 thousand from the 1990 level of $15,694 thousand. A staffing level of 271.0 staff-years is proposed, an increase of 33.1 staff-years to the 1990 current estimate. The higher staffing level and related costs are consistent with the work load anticipated for 1991 most especially for work associated with the substantially increased legal requirements of the Fair Housing Amendments Act of 1988.

FUNDING

The following table shows the actual obligations for 1989 and estimated obligations for 1990 and 1991 for this activity by object class.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Personal Services....................	$11,872	$14,613	$13,407	$15,274	+$1,867
Travel and Transportation of Persons.	220	350	338	368	+30
Transportation of Things.............	4	6	5	10	+5
Rent, Communications and Utilities...	270	175	322	344	+22
Printing and Reproduction............	49	65	47	48	+1
Other Services.......................	866	1,235	1,189	1,316	+127
(ADP Services).......................	(583)	(787)	(727)	(857)	(+130)
(Selected Contracts).................	(278)	(300)	(300)	(300)	(...)
Supplies and Materials...............	44	80	83	83	...
Furniture and Equipment..............	0	110	122	228	+106
Insurance and Indemnities............	113	213	181	198	+17
Total............................	13,438	16,847	15,694	17,869	+2,175

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: General Counsel

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $13,438 thousand were $2,286 thousand less than the previous estimate of $15,724 thousand. The lower than anticipated obligations consisted of $1,868 thousand for personal services and $418 thousand for support costs. The personal services decrease was primarily due to the use of 23.7 fewer staff-years than anticipated. The support cost decrease was principally due to lower travel obligations and lower than anticipated costs associated with the Equal Access to Justice Act.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$16,847
Add cost of staff transfers for Office of Drug-Free Neighborhoods	+462
Less revised estimate for personal services costs	-1,668
Add revised estimates for support costs	+53
Current 1989 estimate	15,694

The difference in staffing and funding levels from the Budget to the Current Estimate reflects the net of Congressional action, the Section 517 reduction, sequestration and other repricing changes. Funding changes are as follows:

- an increase of $462 thousand related to the transfer of 9.0 staff-years for the Office of Drug-Free Neighborhoods, transferred from other Departmental offices;
- a decrease of $1,668 thousand for personal services which is mainly the result of a staff-year reduction of 32.6 staff-years, partially offset by increasing salaries and benefits costs, including the January 1990 general pay raise ($374 thousand); and
- an increase of $53 thousand for support costs, including support costs for the Office of Drug-Free Neighborhoods on the basis of more recent cost and requirements information, principally for other equipment rental and the procurement of automated data processing equipment.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$13,438	$15,694
Changes to staffing level (including the transfer of Drug coordination functions)	+896	+1,865
Fiscal year 1990 general pay raise	+374	+102
Fiscal year 1991 general pay raise	...	+200
Fiscal year 1991 Executive pay raise	...	+49
Rising average salaries and benefits costs	+265	...
Budgeted reductions in average costs per staff-year	...	-349
Changes in travel costs	+118	+30
Changes in furniture and equipment costs	+122	+106
Changes in automated data processing services	+144	+130
Other changes in support costs	+337	+42
Total obligations	15,694	17,869

There are net increases of $1,535 thousand and $1,867 thousand for personal services costs in 1990 and 1991, respectively. The changes reflect the following:

- the 16.7 staff-year increase during 1990 above 1989 which includes 9 staff-years for the transfer of the drug coordination functions, results in a funding increase of $896 thousand, and the proposed 33.1 staff-year increase for 1991 results in a funding increase of $1,865 thousand;

- the general pay raise which became effective during January 1990 is estimated to require an increment of $374 thousand during 1989 and a further increment of $102 thousand during 1990;

- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $200 thousand shown would cover a portion of the total requirement;

- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $49 thousand shown would cover a portion of this requirement;

- rising average salaries and benefits costs will require an additional $265 thousand in the 1990;

- a budgeted reduction of $349 thousand in the average cost per staff-year in 1991 reflects the requirements to absorb pay raises and other personal services increases.

There are net increases of $721 thousand and $308 thousand for non-personal services in 1990 and 1991, respectively. These changes reflect the following:

- changes in travel costs which are expected to increase $118 thousand in 1990 including $75 thousand for the Office of Drug-Free Neighborhoods, and $30 thousand in 1991. The increases over the amount for drug-free activities are consistent with the increased staffing and work load resulting from the Fair Housing Amendments of 1988;

- changes in furniture and equipment costs to support office automation initiatives reflect increases of $122 thousand and $106 thousand for 1990 and 1991, respectively;

- changes in automated data processing services costs which are expected to increase $144 thousand and $130 thousand in 1990 and 1991, respectively. The increase in 1990 is mainly for increased systems engineering support for OGC's Case Tracking System. The increase during 1991 reflects increased systems development to support the Secretary's program and financial management reform initiatives; and

- changes to all other non-personal services costs, such as communications, equipment maintenance and supplies, result in net increases of $309 thousand and $42 thousand in 1990 and 1991, respectively.

4. CONTRACTS

The 1991 request includes the funding levels indicated below for technical services contract support.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Technical Services					
On-Line Legal Research......	$278	$300	$300	$300	...

These funds are for on-line legal research services. The research is used principally to research judicial decisions and findings in association with litigation activities on a variety of housing and development matters in the various jurisdictions throughout the country. Use of such services was begun during 1985 and has proved highly useful. No increase to the 1990 funding level is proposed for 1991.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: General Counsel

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The General Counsel, as the chief legal officer of the Department, is the legal advisor to the Secretary and other principal staff of the Department. It is the responsibility of the General Counsel and staff to provide legal opinions, advice and services with respect to all programs and activities and to provide counsel and assistance in the development of the Department's programs and policies.

2. WORKLOAD

The principal workload of the Office of General Counsel (OGC) consists of providing advice to program managers; preparing memoranda on legal problems arising under HUD programs; representing the Department in litigation and administrative hearings; drafting and reviewing regulations; and drafting, reviewing and clearing legislation and legislative materials.

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year	215	270	235	264	+29
Staff-Years	221.2	261.5	237.9	271.0	+33.1

The 1990 decreases of 23.6 staff-years and 35 FTP staff indicated in the Current Estimate, as compared to the Budget estimate, reflect the net effect of a transfer of Drug-Free Neighborhoods functions and the reduction in OGC's staffing allocation in the Conference Committee Report on the 1990 VA-HUD-Independent Agencies Appropriation Act (H.Rept. 101-297), Section 517 of the Appropriation cut, plus the reductions necessitated by the Gramm-Rudman sequestration, the pay increase and the increase in average personal services costs.

The bulk of the increases of 29 FTP staff and 33.1 staff-years requested for 1991 are to support Fair Housing activities. Of the total increases, 25 FTPs and 26.5 staff-years will be devoted to implementation of the Fair Housing Amendments Act of 1988. Increases are also proposed for litigation, program enforcement and reform activities.

The enactment of the Fair Housing Amendments of 1988 continues to impact on the workload and related staff requirements in the Office of General Counsel. Administering the activities authorized by the Amendments requires attorneys and support staff to engage in new functions with respect to Title VIII. These new functions include analyzing investigative reports and making determinations whether there is reasonable cause to believe discrimination occurred, determining whether to refer a matter to the Department of Justice for prompt judicial relief, handling administrative litigation cases, and assisting the Department of Justice in judicial litigation. The current workload for substantial equivalency determinations will increase dramatically because HUD must begin reviewing all previous determinations in light of the Amendment's provisions.

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel	203.8	228.4	254.4
Temporary and Part-Time Employees	14.6	8.0	15.1
Overtime	1.7	.5	.5
Terminal Leave	1.1	1.0	1.0
Total Staff-Years	221.2	237.9	271.0

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in this part of the Justifications. The changes in these programs reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment, and special employment programs, which include employment of the handicapped, Vietnam veterans and summer college students.

The following tables indicate the distribution of full-time permanent staff and staff-years for the offices within OGC and are followed by a discussion of the functions and staffing requirements for each of those offices.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office....................	19	18	20	20	...
Office of Drug-Free Neighborhoods..	...	...	9	9	...
Office of Insured Housing and Finance............................	52	51	49	49	...
Office of Assisted Housing and Community Development.............	33	32	30	29	-1
Office of Equal Opportunity and Administrative Law................	37	89	48	73	+25
Office of Program Enforcement......	29	32	31	32	+1
Office of Litigation...............	18	21	21	22	+1
Office of Legislation and Regulations........................	27	27	27	30	+3
Total Full-Time Permanent Appointments, End of Year......	215	270	235	264	+29

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office....................	20.0	18.5	20.2	20.5	+0.3
Office of Drug-Free Neighborhoods..	...	...	9.1	9.1	...
Office of Insured Housing and Finance............................	53.1	49.8	49.6	50.3	+0.7
Office of Assisted Housing and Community Development.............	34.0	32.6	30.4	29.8	-0.6
Office of Equal Opportunity and Administrative Law................	38.0	80.8	48.6	75.1	+26.5
Office of Program Enforcement......	29.8	32.6	31.4	32.8	+1.4
Office of Litigation...............	18.5	20.3	21.3	22.6	+1.3
Office of Legislation and Regulations........................	27.8	26.9	27.3	30.8	+3.5
Total Staff-Years...............	221.2	261.5	237.9	271.0	+33.1

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: General Counsel

The redistribution of staffing from the 1990 Current Estimate to the 1991 Current Estimate reflects internal adjustments of staff within the Office of General Counsel to meet workload anticipated under the Fair Housing Amendments of 1988, and other workload requirements.

1. Immediate Office of General Counsel

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year........................	19	18	20	20	...
Staff-Years........................	20.0	18.5	20.2	20.5	+0.3

The Office of General Counsel is responsible for providing all legal advice and service necessary at the Headquarters level for the formulation, implementation and operation of Departmental programs and administrative management. The General Counsel also provides professional supervision to the staff and functions of the legal offices of the Department in the Field. The Immediate Office is professionally staffed by the General Counsel, three Deputy General Counsel and an Associate Deputy General Counsel. It also includes the Administrative Services and the Field and Management Operations Divisions. The additional 0.3 staff-years reflects an increase in the use of temporary and/or part-time staff to meet anticipated workloads.

2. Office of Drug-Free Neighborhoods

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year........................	...	...	9	9	...
Staff-Years........................	...	...	9.1	9.1	...

The Office of Drug-Free Neighborhoods was established in 1990 to administer the Department's drug program to eradicate illegal drug use in public and Indian Housing under the authority of the Public Housing Drug Elimination Act of 1988. The goals of the Office of Drug-Free Neighborhoods are to: (1) provide aggressive enforcement efforts to secure the safety of public housing areas, (2) initiate mechanisms to share effective prevention and intervention technologies and to develop recognition programs to reinforce creative and positive performance, and (3) provide policy direction research and technical assistance to improve housing management capability. These functions involve study of processes impacting all HUD regional and field offices and cover important and complex Federal, State and Government-public relationships.

No change is requested in 1991.

3. Office of Insured Housing and Finance

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year........................	5[illegible]	51	49	49	...
Staff-Years........................	53.1	49.8	49.6	50.3	+0.7

The increase of 0.7 staff-years from the 1990 Current Estimate to the 1991 Current Estimate reflects an increase in the use of temporary and/or part-time staff to meet current workload requirements.

The Office of Insured Housing and Finance consists of three Divisions: Multifamily Mortgage Insurance, Home Mortgage, and Finance.

a. Multifamily Mortgage Insurance Division

The Multifamily Mortgage Insurance Division provides legal services with respect to all mortgage insurance programs under the National Housing Act involving multi-unit rental projects and health care facilities. These include multifamily rental housing, elderly housing, nursing homes, intermediate care facilities, hospitals, group practice facilities, condominiums, cooperatives and land development projects. These services include commentary, advice and opinions on the implementation of statutory and regulatory requirements concerning the origination, management and servicing of insured mortgages. They also include analyses of documents and financing for transfers of physical assets or properties to new owners; support for claims processing, and mortgage and property acquisition (excluding foreclosures); support for the disposition or sale of HUD-owned properties and mortgages through negotiations and auctions; and defensive litigation involving mortgage insurance claims, mechanics' liens, bankruptcy, property tax proceedings, and disposition or sale matters.

b. Home Mortgage Division

The Home Mortgage Division provides legal services with respect to one- to four-family mortgage insurance programs and the Title I property improvement and manufactured home programs under the National Housing Act. These services include commentary, advice and opinions with respect to statutory and regulatory requirements for the approval of mortgagees and lenders, and the origination, management and servicing of insured mortgages and loans. They also include legal determinations on mortgage or loan insurance claims, insured mortgage loan foreclosures, and foreclosure relief for deserving mortgagors under the temporary mortgage assistance program or the assignment program; the resolution of title problems; support for the disposition or sale of HUD-owned properties or mortgages; matters pertaining to criminal or civil fraud; affirmative litigation for debt collection; and defensive litigation arising under the one- to four-family mortgage insurance programs.

c. Finance Division

The Finance Division provides legal services with respect to all GNMA programs under the National Housing Act and other statutes, as well as the use of tax-exempt bond financing for public housing, urban renewal and State agency housing projects. It also provides advice on tax and securities law, real estate syndications, bankruptcy problems and financial workouts of troubled projects. These services include commentary, advice and opinions on the application of statutory and regulatory requirements to the GNMA Mortgage-Backed Securities programs. They also include assistance to GNMA with respect to the development and interpretation of agreements between GNMA and mortgage sellers and purchasers, GNMA and mortgage-backed securities issuers, and GNMA and its agents. The Division is involved in all litigation affecting GNMA's interests, coordinates OGC staff support for HUD/Treasury liaison activities at the direction of HUD's Tax and Finance Policy Coordinating Committee, and provides legal advice with respect to the Secretary's FNMA and FHLMC oversight responsibilities.

4. Office of Assisted Housing and Community Development

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year........................	33	32	30	29	-1
Staff-Years........................	34.6	32.6	30.2	29.8	-0.6

The decreases of one FTP and of 0.6 staff-year from the 1990 Current Estimate to the 1991 Budget reflect projected workload requirements in this office.

The Office of Assisted Housing and Community Development is made up of three Divisions: the Block Grants Division, the Assisted Housing Division, and the Action Grants Division.

a. Block Grants Division

The principal function of the Block Grants Division is the provision of legal counsel in connection with the Community Development Block Grant (CDBG) program authorized under Title I of the Housing and Community Development Act of 1974. The Division furnishes legal advice to Headquarters program staff, Field counsel, Field program staff, and grant recipients concerning eligibility of activities, statutory and regulatory program requirements, and other legal aspects of this program. The Division also provides legal counsel concerning the homeless housing assistance programs.

In addition, the Division is responsible for the provision of legal services relating to the Rental Rehabilitation Grant program, the Urban Homesteading program, Section 312 Rehabilitation Loans, the final phase-out of the categorical programs (such as Urban Renewal) consolidated in the block grant legislation, and the revolving fund for liquidating programs. The Division also is responsible for the provision of legal services regarding the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and Historic Preservation Act as they affect all HUD programs.

b. Assisted Housing Division

The Assisted Housing Division provides legal advice and assistance in connection with the Department's programs under the United States Housing Act of 1937 (except for the Rental Rehabilitation Grant Program), including Conventional and Turnkey Public Housing, the Section 8 Housing Assistance program, the Housing Development Grant program, and Indian Housing and Homeownership and Resident Management programs, and the Nehemiah Housing Opportunity Grant program. The Division also has responsibility for the Rental Housing for the Elderly and Handicapped program, the Child Care Demonstration Program and the Drug Elimination program.

The Division workload also includes legal services in connection with matters with such diverse policy ramifications as appropriate safeguards for promoting nondiscrimination of the handicapped pursuant to Section 504 of the Rehabilitation Act of 1973; administration of the Architectural Barriers Act; the provision of Indian Housing on Indian Reservations; tax-exempt financing; the Comprehensive Improvement Assistance program for modernization of public housing and the elimination of drugs in public housing.

c. Action Grants Division

The Division provides legal work in the UDAG program directly related to the negotiation and documentation of projects. Its attorneys' functions during 1990 include participation in project negotiations, preparations of project grant agreements, and the review for legal adequacy of the legally binding commitments received from grant recipients in satisfaction of the grant agreements. During 1991, the staff will continue to be involved in review of legally binding commitments and will be advising program staff on project closeout matters. In addition, the Division develops legal opinions and interpretations regarding the UDAG legislation and regulations.

5. Office of Equal Opportunity and Administrative Law

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year........................	37	89	48	73	+25
Staff-Years........................	38.0	80.8	48.6	75.1	+26.5

The increase of 25 FTPs and 26.5 staff-years from the 1990 Current Estimate to the 1991 Budget primarily reflect the increased staffing required to implement the 1988 Fair Housing Amendments.

Salaries and Expenses, Housing and Urban Development
Budget Activity 8: General Counsel

The work of this Office is conducted through two Divisions -- General Law and Administrative Law.

a. General Law Division

The General Law Division enforces and interprets the Fair Housing Act and provides legal services for a panoply of other nondiscrimination authorities including Title VI of the Civil Rights Act of 1964, section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, the Equal Credit Opportunity Act, and executive orders on minority and women's business enterprise.

The Division implements and enforces the Fair Housing Act by determining, based on a Final Investigation Report and evidentiary file prepared by FHEO, whether reasonable cause exists to believe that a discriminatory housing practice has occurred. If so, OGC issues a Charge of Discrimination, and unless either party elects to have the case heard in federal court, represents the Secretary on behalf of the complainants at hearings held before HUD administrative law judges. The Division reviews requests for prompt judicial relief where a dwelling will be rented or sold before a case can be litigated, and, in appropriate cases, authorizes the Department of Justice to seek prompt judicial relief. Requests for prompt judicial relief are increasing in number and are time consuming because of the speed with which such requests must be processed, generally 1 to 2 days. The Division reviews State and local laws to determine whether they should be certified as substantially equivalent laws to the Fair Housing Act. Division attorneys also handle a large number of requests for interpretation and clarification of the Fair Housing Act.

The Division reviews Title VI and section 504 investigative files prepared by FHEO to determine if there is a basis to make a preliminary finding of discrimination. It also develops, in cooperation with FHEO, voluntary compliance agreements to resolve preliminary findings of discrimination, and when necessary, represents HUD in administrative proceedings to withdraw HUD assistance from recipients who are discriminating.

b. Administrative Law Division

The Division has the responsibility for providing legal advice on personnel related subjects, Federal sector labor law, and employment discrimination matters. It handles administrative proceedings before the Federal Labor Relations Authority, Merit Systems Protection Board and Equal Employment Opportunity Commission, and assists the Department of Justice in cases in federal court. The Division also has the responsibility for legal advice on the HUD Standards of Conduct regulations and for annual review of employees' outside employment and financial disclosure statements. In the area of procurement, Division attorneys review Requests for Proposals and other solicitation and contract documents for major undertakings of the Department. The Division represents the Department in contract appeal hearings and bid protest proceedings before HUD's Board of Contract Appeals and the General Accounting Office. The Division also provides legal advice with respect to the Freedom of Information Act and the Privacy Act of 1974, and matters involving Department organization and management. The Division also provides legal advice on the applicability of Davis-Bacon prevailing wage rates and other labor standards to HUD programs. In addition it provides legal advice on the Real Estate Settlement Procedures Act, the Lead-Based Paint Poisoning Prevention Act, and the National Enviornmental Policy Act and other environmental protection statutes in all HUD program operations.

6. Office of Program Enforcement

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year......................	29	32	31	32	+1
Staff-Years......................	29.8	32.6	31.4	32.8	+1.4

The increases of one FTP and 1.4 staff-years from the 1990 Current Estimate to the 1991 Budget reflect staffing requirements necessary to meet anticipated workloads, including pursuing actions related to fraud and abuse in Departmental programs.

The Office has three Divisions: the Program Compliance Division; the Inspector General and Administrative Proceedings Division; and the Affirmative Litigation Division.

a. Program Compliance Division

The Program Compliance Division performs the Office's legal work in connection with litigation and administrative hearings arising in connection with HUD programs, and actions to enforce the Interstate Land Sales Full Disclosure Act, the Manufactured Housing Construction and Safety Standards Act, the Real Estate Settlement Procedures Act provisions of the Debt Collection Act of 1982 including the administrative and salary offset cases and other debt collection and False Claims Act cases. The Division also provides general legal advice and regulation and legislative drafting services concerning the Interstate Land Sales Full Disclosure Act, the Manufactured Housing Construction and Safety Standards Act, and the Debt Collection Act of 1982.

b. Inspector General and Administrative Proceedings Division

The Division provides counsel to the Mortgagee Review Board, assisting in the preparation of the Board's agenda, recommending appropriate sanctions against FHA approved mortgagees and Title I lenders, and representing the Board in all administrative proceedings. The Division provides legal services to the Office of Inspector General which include: interpreting statutes, regulations, and policy directives governing the administration of the Department's programs; advising the Inspector General on investigative procedures, drafting subpoenas, and when necessary enforcing those subpoenas in Federal court. It provides counsel to the Multifamily Participation Review Committee, which approves or disapproves the participation of principals in the Department's multifamily housing programs by reviewing applications and advising the Committee. It represents the Department in all administrative proceedings arising from suspension and debarment of those participating in HUD programs. Finally, it brings actions under the Program Fraud Civil Remedies Act, to administratively collect penalties and fines from those who submit false claims and statements to the Department.

c. Affirmative Litigation Division

The Affirmative Litigation Division performs legal work in connection with affirmative litigation initiated by HUD to enforce various program requirements or to recover improperly spent programs funds, including, for example, multifamily mortgage foreclosures, actions for treble damages and forfeitures under the False Claims Act, actions for specific performance, injunctive relief, or breach of contract under the Regulatory Agreement, Annual Contributions Contract or UDAG Agreements. The Division provides advice to program staff concerning both the technical aspects of pending and proposed litigation as well as the policy and operational implications. The Division also coordinates affirmative litigation with the Department of Justice and United States Attorney's Offices from initiation to judgment or settlement.

7. Office of Litigation

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year......................	18	21	21	22	+1
Staff-Years........................	18.5	20.3	21.3	22.6	+1.3

The increases of one FTP and 1.3 staff-years from the 1990 current estimate to the 1991 Budget reflect staffing requirements necessary to meet the high litigation workload.

The Office of Litigation performs legal services for litigation brought by or against the Department, its officials and employees. Cases regarded as most significant from the standpoint of policy, program operation or legal precedent are assigned to attorneys within the Office. The remainder of the cases are assigned to other Offices, or to Regional Counsel. The Office of

Litigation prepares court papers and handles various stages of litigation, which may include discovery, oral argument and trials, as agreed with the Department of Justice in each case. The Office acts as the Department's liaison with the Department of Justice on litigation matters. The Office reviews and evaluates recommendations concerning non-routine settlements, institution of litigation, and appellate review of adverse judicial determinations. It is responsible for assuring prompt attention in interlocutory motions and to discovery proceedings.

8. Office of Legislation and Regulations

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year........................	27	27	27	30	+3
Staff-Years........................	27.8	26.9	27.3	30.8	+3.5

The increases of three FTPs and 3.5 staff-years from the 1990 Current Estimate to the 1991 Budget reflect staffing requirements necessary to meet anticipated workloads, including activities relating to the Secretary's reform initiatives.

The Office of Legislation and Regulations has two Divisions: the Legislation Division and the Regulations Division.

a. Legislation Division

The Legislation Division performs a variety of legal functions in connection with the Department's legislative program. Major areas of responsibility include: development, preparation and clearance of the annual and special programs of authorization legislation; provision of legal counsel during Congressional consideration of the legislation; preparation and clearance of reports on proposed or pending Federal legislation; and provision of advice and other assistance on appropriation matters. The Office also provides extensive legislative reference services to the Department.

b. Regulations Division

The Regulations Division is responsible for drafting and clearing regulations necessary to carry out the Department's programs and policies; managing HUD's implementation of rulemaking under 24 CFR Part 10, Section 7(o) of the Department of Housing and Urban Development Act, the Regulatory Flexibility Act, the Paperwork Reduction Act, and Executive Order 12291; clearing within the Office of General Counsel non-regulatory Departmental issuances; preparing the Department's views on proposed Executive Orders; and advising program offices concerning newly enacted legislation which may give rise to a need for new or amended regulations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF GENERAL COUNSEL
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

IMMEDIATE OFFICE OF THE GENERAL COUNSEL

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV GENERAL COUNSEL	1	1	1
ES-6 DEPUTY GENERAL COUNSEL	1	1	1
ES-4 DEPUTY GENERAL COUNSEL	1	1	1
GS/GM-15	4	5	5
GS/GM-14 AND BELOW	12	21	21
TOTAL FTPS	19	29	29
FTE WORK-YEARS	19.3	29.2	29.6
AVERAGE EMPLOYMENT	20.0	29.3	29.8
PERSONAL SERVICES	$1,049	$1,653	$1,677

OFFICE OF INSURED HOUSING AND FINANCE

TITLE & GRADE	1989	1990	1991
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	16	16	16
GS/GM-14 AND BELOW	35	32	32
TOTAL FTPS	52	49	49
FTE WORK-YEARS	52.8	49.3	50.0
AVERAGE EMPLOYMENT	53.1	49.6	50.3
PERSONAL SERVICES	$2,872	$2,794	$2,835

OFFICE OF ASSISTED HOUSING AND COMMUNITY DEVELOPMENT

TITLE & GRADE	1989	1990	1991
ES-5 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	11	11	11
GS/GM-14 AND BELOW	21	18	17
TOTAL FTPS	33	30	29
FTE WORK-YEARS	33.5	30.2	29.6
AVERAGE EMPLOYMENT	34.0	30.4	29.8
PERSONAL SERVICES	$1,822	$1,711	$1,679

OFFICE OF LEGISLATION AND REGULATIONS

TITLE & GRADE	1989	1990	1991
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	5	5	5
GS/GM-14 AND BELOW	21	21	24
TOTAL FTPS	27	27	30
FTE WORK-YEARS	27.4	27.1	30.6
AVERAGE EMPLOYMENT	27.6	27.3	30.8
PERSONAL SERVICES	$1,491	$1,539	$1,736

OFFICE OF EQUAL OPPORTUNITY AND ADMINISTRATIVE LAW

TITLE & GRADE	1989	1990	1991
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	7	8	8
GS/GM-14 AND BELOW	29	39	64
TOTAL FTPS	37	48	73
FTE WORK-YEARS	37.6	48.3	74.5
AVERAGE EMPLOYMENT	38.0	48.6	74.9
PERSONAL SERVICES	$2,043	$2,737	$4,223

OFFICE OF PROGRAM ENFORCEMENT

TITLE & GRADE	1989	1990	1991
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	6	6	6
GS/GM-14 AND BELOW	22	24	25
TOTAL FTPS	29	31	32
FTE WORK-YEARS	29.5	31.2	32.7
AVERAGE EMPLOYMENT	29.8	31.4	32.8
PERSONAL SERVICES	$1,601	$1,774	$1,861

SUMMARY OFFICE OF GENERAL COUNSEL

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV	1	1	1
ES-5	2	2	2
ES-4	6	6	6
GS/GM-15	53	55	55
GS/GM-14 AND BELOW	153	171	200
TOTAL FTPS	215	235	264
FTE WORK-YEARS	216.4	236.4	269.5
AVERAGE EMPLOYMENT	221.2	237.9	271.0
PERSONAL SERVICES	$11,872	$13,407	$15,274

OFFICE OF LITIGATION

TITLE & GRADE	1989	1990	1991
ES-4 ASSOCIATE GENERAL COUNSEL	1	1	1
GS/GM-15	4	4	4
GS/GM-14 AND BELOW	13	16	17
TOTAL FTPS	18	21	22
FTE WORK-YEARS	18.3	21.1	22.5
AVERAGE EMPLOYMENT	18.5	21.3	22.8
PERSONAL SERVICES	$994	$1,199	$1,274

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years--1989, 1990 and 1991.

BUDGET ACTIVITY 9: FIELD LEGAL SERVICES

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Total Budget Activity	$13,854	$15,952	$14,996	16,251	+$1,255
Full-Time Permanent Appointments, End of Year	253	300	280	290	+10
Full-Time Equivalents	266.4	298.0	276.1	298.0	+21.9
Staff-Years	268.9	299.3	277.4	299.3	+21.9

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The funding request for 1991 is $16,251 thousand, an increase of $1,255 thousand from the 1990 level of $14,996 thousand. A staffing level of 299.3 staff-years is proposed, an increase of 21.9 staff-years to the 1990 current estimate. The higher staffing level and related costs are consistent with the workload anticipated for 1991. The increase represents a restoration to the 1990 staffing level enacted by the congress prior to sequestration and other funding reductions that resulted in staffing cuts because the appropration could not support those levels. The increase will allow FLS to provide adequate legal services to both Regional and Field Offices.

FUNDING

The following table shows actual obligations by object class, for 1989 and estimated obligations for 1990 and 1991 for this activity.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Personal Services	$13,058	$14,900	$14,144	$15,262	+$1,118
Travel and Transportation of Persons	150	250	134	149	+15
Transportation of Things	9	5	10	10	...
Rent, Communications and Utilities	147	163	161	160	- 1
Printing and Reproduction	48	70	59	60	+ 1
Other Services	103	163	184	176	- 8
Supplies and Materials	133	150	156	156	...
Furniture and Equipment	205	250	147	277	+130
Insurance and Indemnities	1	1	1	1	...
Total	13,854	15,952	14,996	16,251	+1,255

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: Field Legal Services

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $13,854 thousand were $539 thousand less than the previous estimate of $14,393 thousand. The lower than anticipated obligations consisted of decreases of $496 thousand for personal services and $43 thousand for support costs. The personal service decrease was mainly the result of the use of 3.0 staff-years less than estimated as well as the use of more salaried employees instead of FTPs as originally anticipated. The support costs decrease was principally due to lower than estimated costs for other equipment rental, printing and reproduction, and furniture and equipment.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 Current ~~Estimate varies~~ from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$15,952
Less revised estimate for personal services costs	-756
Less revised estimate for support costs	-200
Current Estimate	$14,996

The difference in staffing and funding levels from the Budget to the 1990 current estimate reflects the net of Budget to the 1990 current estimate reflects the net of Congressional action, the Section 517 reduction, sequestration and other repricing changes. Funding changes areas are as follows:

--A net decrease of $756 thousand for personal services costs which is mainly the result of a reduction of 21.9 staff-years, partially offset by increasing salaries and benefits costs, including the January 1990 general pay raise; and

--A net decrease of $200 thousand for support costs on the basis of more recent cost and requirements information, principally for travel and furniture and equipment.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$13,854	$14,996
Changes to Staffing levels	+413	+1,117
Fiscal Year 1990 general pay raise	+395	+102
Fiscal Year 1991 general pay raise	...	+207
Rising average salaries and benefits costs	+278	
Budgeted reduction in average cost per Staff-Year	...	-308
Changes in support costs	+56	+137
Total obligations	$14,996	$16,251

There are net of $1,086 thousand and $1,118 thousand for personal services in 1990 and 1991, respectively. The changes reflect the following:

— the 8.5 staff-year increase during 1990, and the proposed 21.9 staff-year increase in 1991 require funding increases of $413 thousand and $1,117 thousand, respectively;

— the general pay raise which became effective during January 1990 is estimated to require an increment of $395 thousand during 1990 and a further increment of $102 thousand during 1991;

— the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $207 thousand shown would cover a portion of the total requirement;

-- rising average salaries and benefits costs will require an additional $278 thousand in 1990;

-- a budget reduction of $308 thousand is the average cost per staff-year in 1991 reflects the requirements to absorb pay raises and other personal services increases.

There are net increases of $56 thousand and $137 thousand in non-personal services costs in 1990 and 1991 respectively, for changes in travel, supplies, furniture, equipment procurement and equipment maintenance, based on our most recent cost and requirements data.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Regional Counsel, Chief Counsel and Chief Attorneys are the chief legal officers of their respective offices. They receive operational direction and administrative support from their Regional Administrators and Managers, but on legal matters, they receive professional advice and direction from the General Counsel, the chief legal officer of the Department.

The Regional Counsel acts as staff legal adviser to the Regional Administrator. Associate Regional Counsel serve as specialists and lead attorneys for areas such as litigation, fair housing and equal opportunity enforcement, and administrative law. In most Regions, Associate Regional Counsel are also the lead attorneys for the program legal services related to the housing and community planning and development functions previously performed by the Area offices. Attorney-Advisers assist the Associates in handling the volume of work involved in each of the areas above. The remainder of the staff is involved in support functions to the professional staff.

Each Regional Office has a legal staff and legal support staff headed by a Regional Counsel. A typical staffing pattern for the Regional Counsel's office would include:

Position	Number
Regional Counsel	1
Associate Regional Counsel	4
Attorney-Advisers	6
Paralegal	1
Secretary	1
Legal Clerk/Clerk-Typist	3
Clerk Typist	1
Total	17

The Chief Counsel functions as the staff legal adviser to the Manager of a Field Office and has authority and responsibility for all legal activities delegated to the Field office. The Chief Counsel, together with Attorney-Advisers in the office, performs program legal services in areas such as home mortgage insurance, multifamily mortgage insurance, Low-Rent Public Housing, Section 202 Direct Loan Program for the Elderly and Handicapped, Section 8, Housing Vouchers, Housing Development Grants, Urban Development Action Grants (UDAGs), Community Development Block Grants, Section 312, and the Freedom of Information Act. The remainder of the staff is involved in support functions to the professional staff.

Field Offices with responsibility for housing and community development programs have a small legal staff and legal support staff headed by a Chief Counsel. A typical staffing pattern for the Chief Counsel's office would include:

Position	Number
Chief Counsel	1
Attorney-Advisers	1
Legal Clerk/Technician	1
Total	3

In some of the Field Offices which have responsibility for housing programs only, a Chief Attorney acts as the legal adviser to the manager of the Office. The Chief Attorney provides the same legal services for the programs as does a Chief Counsel. With the exception of one such office, a Chief Attorney is the sole legal staff in the Office. Chief Attorneys generally receive secretarial support from a secretary assigned to another section of the Office.

2. WORKLOAD

Regional Counsel

a. Litigation. This is a major responsibility exercised by the Regional Counsel. It involves working with the U.S. Attorneys in handling cases to which HUD is a party and participation with local government or private attorneys in handling cases involving HUD-assisted local governmental activities. The caseload covers the full range of the Department's program responsibilities, such as subsidized and insured housing, property management and disposition, and community development programs, as well as cases involving claims collection, environmental issues, civil rights, landlord-tenant matters, architectural and construction contract disputes, and tort claims. Regional Counsel also handle judicial foreclosures of multifamily projects and single family defensive foreclosure actions.

b. Fair Housing and Equal Opportunity Enforcement. This function involves the provision of legal services with respect to the enforcement of civil rights laws and equal opportunity requirements applicable to HUD programs. These include nondiscrimination in HUD-assisted programs, fair housing, equal employment opportunity, and increased employment opportunities for lower-income persons in connection with HUD-assisted projects. Regional Counsel also makes the initial determination of the substantial equivalency status of State and local ordinances on fair housing. The effort to eliminate systemic discrimination in housing and the Department's strengthened procedures for Title VI compliance reviews have substantially increased the fair housing/equal opportunity workload of Regional Counsel. As part of the effort to eliminate systemic discrimination in housing, Regional Counsel will review for legal sufficiency all Title VI compliance reviews.

Under the new Title VIII procedures, pursuant to the Fair Housing Amendments of 1988, Regional Counsel will review investigative reports to determine whether to recommend to the General Counsel that there is reasonable cause to believe that a discriminatory housing practice has occurred; where appropriate, prepare cases for Temporary Restraining Orders, refer cases to the Justice Department or present charges to the Administrative Law Judge; and represent the Secretary in proceedings before the Administrative Law Judge. The Regional Counsel also will re-examine previous determinations of substantial equivalency of State and local laws for conformance with the new law. Under the new law, the re-examinations must be accomplished within 40 months after the statute has become effective.

c. Administrative Legal Services. This function includes the rendering of advisory opinions on standards of conduct questions; the approval of claims under the Federal Tort Claims Act and the Military Personnel and Civilian Employees' Claims Act of 1964; the rendering of decisions with respect to the Freedom of Information Act and the Privacy Act of 1974; the provision of services in connection with HUD personnel actions, including the provision of agency representation at grievance and adverse action hearings; and the provision of services related to HUD procurement and disbursement activities. In addition, Regional Counsel provide advice to the Regional Office of Inspector General concerning audits and investigations, and the use of administrative sanctions.

d. Program Activities. Regional Counsel provides the program legal services for the housing, community planning and development, and administrative law functions previously carried out in the former Area office in the same city. These functions are described more specifically in the section on Chief Counsel below.

e. Area Office Monitoring. Regional Counsel are also responsible for monitoring the work performed by the Chief Counsel and Chief Attorneys.

Chief Counsel

The Chief Counsel provides legal services required in connection with the full range of Field Office program and project activities.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: Field Legal Services

a. Housing Programs. The Chief Counsel provides all legal services required in connection with HUD's insurance of mortgages on multifamily properties. This includes the representation of the Department at initial and final closings of projects, including those financed by tax-exempt bonds. The closing attorney is responsible for assuring the legal sufficiency of all closing documents for full insurance projects. The Chief Counsel also participates in coinsurance closings which involve limited review of certain documents. The Chief Counsel provides a legal review of applicable documents where there is a change in the mortgagor entity, and furnishes legal assistance in connection with the non-judicial foreclosure of multifamily projects, the management and disposition of acquired properties, debt collection, and bankruptcies. With respect to the Section 8 Lower-Income Housing Assistance program, Chief Counsel is responsible for making determinations as to the legal capacity of participants in the program, and preparing all contractual documents required with respect to the provision of subsidy assistance. In the conventional Public Housing program, Chief Counsel has been responsible for review of organizational transcripts; review of applications; and preparation of annual contributions contracts and amendments, contracts of sale, and all supporting documentation for these instruments. The Chief Counsel also provides a wide range of legal services in connection with the low-rent public housing projects in occupancy, such as the preparation of contracts for modernization of projects, other contract amendments, and landlord-tenant matters. The Chief Counsel also reviews Section 202 Direct Loan applications and conducts initial and final closings of Section 202 projects. In the Housing Development Grants program, Chief Counsel are required to review the applications and legally binding commitments. In addition, the chief Counsel provides legal advice and guidance on single family mortgage insurance programs.

b. Community Planning and Development. This function includes the provision of legal services required in connection with the Community Development Block Grant (CDBG) program. The Chief Counsel prepares contracts, amendments, special contract conditions, and sanctions imposed for noncompliance with program requirements. The Chief Counsel is also responsible for making legal determinations relative to environmental and labor requirements, for rendering decisions in connection with Field Office consideration of relocation appeals by displaced persons, and for providing legal advice concerning CDBG monitoring activities. In addition, the Chief Counsel provides legal support to the Section 312 Rehabilitation program.

The Chief Counsel also provides legal assistance to the UDAG program, with emphasis on the review of legally binding commitments made by developers, lenders, public bodies, and other participants in UDAG projects. The workload of Chief Counsel includes the provision of legal services in connection with the monitoring and closeout of UDAG projects, and in some cases the review of applications.

c. Administrative Legal Services. This function includes the provision of legal services with respect to the Freedom of Information Act and the Privacy Act of 1974; advice concerning the disposition of reports of the Office of Inspector General; legal guidance in connection with the administration of Field Office claims collection activities, and legal services relating to the use of administrative sanctions such as Limited Denials of Participation. As requested by the Office Manager, Chief Counsel provides legal advice concerning HUD personnel actions.

Chief Attorneys

The Chief Attorneys provide legal services similar to those provided by Chief Counsel in connection with the housing programs and project activities conducted by their Field Office.

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE+ DECREASE- 1991 vs 1990
Full-Time Permanent Appointments......					
End of Year...........................	253	300	280	290	+10
Staff-Years...........................	268.9	299.3	277.4	299.3	+21.9

The current estimate for 1990 provides decreases of 20 positions and 21.9 staff-years as compared to the Budget estimate. These decreases resulted from a number of funding reduction actions which will make it difficult to properly perform all of the Field legal functions.

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: Field Legal Services

The increases of 10 positions and 21.9 staff-years for 1991 are required to implement the Fair Housing Amendments of 1988 and to maintain the ability to provide quality legal services as workload demands in other areas increase as well. Administering the activities directed by the Fair Housing Amendments will require attorneys and support staff to engage in new functions. These new functions include analyzing investigative reports and making determinations as to whether there is reasonable cause to believe discrimination occurred; determining whether to refer a matter to the Department of Justice for prompt judicial relief, presenting charges and handling cases before an Administrative Law Judge, and assisting the Department of Justice in judicial litigation. Due to the time needed to begin implementation of the Fair Housing Amendments and limited staffing for the function in 1989, the impact of this workload on Regional Counsel is just developing in 1990.

Other areas where workload in Field legal Offices has increased include handling single family defensive foreclosure litigation and handling referrals from administrative sanctions imposed by Field Offices. All of the additional positions would be on the staffs of Regional Counsel.

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1989	ESTIMATE 1990
Full-Time Permanent Personnel	246.1	271.1	286.7
Temporary and Part-Time Employees	20.9	5.0	11.3
Overtime	1.2	0.3	0.3
Terminal Leave	0.7	1.0	1.0
Total Staff-Years	268.9	277.4	299.3

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

The following tables indicate the distribution of full-time permanent appointments and staff-years among Regional and Field Offices.

FULL-TIME PERMANENT APPOINTMENTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE DECREASE - 1991 vs 1990
Regional Counsel	147	191	171	181	+10
Chief Counsel	98	101	101	101	...
Chief Attorneys	8	8	8	8	...
Total	253	300	280	290	+10

STAFF-YEARS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Regional Counsel	156.2	181.8	168.5	185.4	+16.9
Chief Counsel	104.1	109.3	101.4	105.7	+4.3
Chief Attorneys	8.6	8.2	7.5	8.2	+0.7
Total	268.9	299.3	277.4	299.3	+21.9

Salaries and Expenses, Housing and Urban Development
Budget Activity 9: Field Legal Services

EXPLANATION OF STAFFING REQUIREMENTS

The following table reflects the utilization of Field counsel and supporting staff. The table indicates the number of staff-years by program subject matter.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Housing:			
Non Insured	38.3	36.4	69.5
Insured	70.0	67.7	37.4
Subtotal	108.3	104.1	106.9
Public and Indian Housing	34.5	32.3	34.8
Community Planning and Development	15.3	12.3	12.0
Fair Housing and Equal Opportunity	9.5	28.6	43.4
Administrative Law:			
FOIA, MSPB, Tort Claims, IG, etc	28.5	27.6	60.8
Litigation	60.3	60.0	28.6
Debt Collection	10.3	10.0	10.0
Support:			
General Direction, Monitoring, etc	0.6	0.8	0.8
Training	0.5	0.7	0.7
Total Operating Staff-Years	267.8	276.4	298.3
Terminal Leave	1.1	1.0	1.0
Grand Total	268.9	277.4	299.3

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD LEGAL SERVICES
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

REGIONAL ADMINISTRATOR

REGIONAL COUNSEL

TITLE & GRADE	1989	1990	1991
GS/GM-15	12	12	12
GS/GM-14 AND BELOW	135	159	169
TOTAL FTPS	147	171	181
FTE WORK-YEARS	154.5	168.4	184.8
AVERAGE EMPLOYMENT	156.2	168.5	185.4
PERSONAL SERVICES	$7,574	$8,628	$9,462

CHIEF COUNSEL

TITLE & GRADE	1989	1990	1991
GS/GM-15	2	2	2
GS/GM-14 AND BELOW	96	99	99
TOTAL FTPS	98	101	101
FTE WORK-YEARS	103.9	100.3	105.2
AVERAGE EMPLOYMENT	104.1	101.4	105.7
PERSONAL SERVICES	$5,092	$5,092	$5,342

CHIEF ATTORNEYS

TITLE & GRADE	1989	1990	1991
GS/GM-14 AND BELOW	8	8	8
TOTAL FTPS	8	8	8
FTE WORK-YEARS	8.0	7.4	8.0
AVERAGE EMPLOYMENT	8.6	7.5	8.2
PERSONAL SERVICES	$392	$424	$458

SUMMARY
FIELD LEGAL SERVICES

TITLE & GRADE	1989	1990	1991
GS/GM-15	14	14	14
GS/GM-14 AND BELOW	239	266	276
TOTAL FTPS	253	280	290
FTE WORK-YEARS	266.4	276.1	298.0
AVERAGE EMPLOYMENT	268.9	277.4	299.3
PERSONAL SERVICES	$13,058	$14,144	$15,262

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements for each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years--1989, 1990 and 1991.

BUDGET ACTIVITY 10: ADMINISTRATION AND STAFF SERVICES

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Total Budget Activity................	$140,469	$132,539	$105,771	$135,102	+$29,331
Full-Time Permanent Appointments, End of Year.........................	1,075	1,088	558	707	+149
Full-Time Equivalents................	1,123.1	1,097.2	733.6	675.8	-57.8
Staff-Years..........................	1,158.7	1,128.5	764.9	707.1	-57.8

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The 1991 request is for $135,102 thousand and 707.1 staff-years. From the current 1990 funding and staffing levels, the 1991 request reflects a $29,331 thousand funding increase and 57.8 staff-year decrease. The increased funding is a result of higher automated data processing and other operational costs for the Office of Administration activities. The decrease in staffing levels reflects the full-year impact of the functional transfer in 1990 of mortgage insurance and support activities from the Office of Finance and Accounting to the Office of Housing. The functional transfer is intended to improve the quality and timeliness of FHA accounting and reporting, as indicated in the Secretary's December 27, 1989, letter to the Appropriations Committees. The staffing levels for 1990 and 1991 also includes the establishment of an Office of Ethics under the Assistant Secretary for Administration.

The funding and staffing levels for the 1989 Actual and 1990 Budget Estimate do not reflect the functional transfer from the Office of Administration and operational costs associated with the transfer. Subsequent material describes these changes in detail.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Administration and Staff Services

FUNDING

The following table shows the actual obligations for 1989 and estimated obligations for 1990 and 1991 for this activity by object class.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Personal Services	$50,083	$48,782	$35,842	$33,293	-2,549
Travel and Transportation of Persons	2,007	3,020	2,662	2,950	+288
Transportation of Things	26	27	20	49	+29
Rent, Communications and Utilities	25,018	24,943	25,648	27,337	+1,689
(Space Rental)	(16,734)	(20,074)	(20,608)	(21,980)	(+1,372)
(FTS)	(2,031)	(1,994)	(1,924)	(2,052)	(+128)
(Postal Services)	(1,514)	(1,629)	(1,521)	(1,622)	(+101)
(Other)	(4,739)	(1,246)	(1,595)	(1,683)	(+88)
Printing and Reproduction	876	1,000	703	616	-87
(Federal Register/CFR)	(141)	(170)	(103)	(106)	(+3)
(Other)	(735)	(830)	(600)	(510)	(-90)
Other Services	51,410	51,267	36,520	64,033	+27,513
(ADP Services)	(34,451)	(38,843)	(25,168)	(49,463)	(+24,315)
(Management Studies)	(2,480)	(1,672)	(962)	(3,175)	(+2,213)
(Technical Services)	(2,386)	(4,061)	(3,160)	(3,152)	(-8)
(Other)	(12,093)	(6,691)	(7,250)	(8,243)	(+993)
Supplies and Materials	3,018	1,500	1,505	1,476	-29
Furniture and Equipment	8,031	2,000	2,871	5,348	+2,477
Total	140,469	132,539	105,771	135,102	+29,331

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $140,469 thousand are $12,277 thousand more than the previous estimate of $128,192 thousand. The higher funding obligations include $1,396 thousand for personal services and $10,881 thousand for operational support costs. The increased personal services obligations supported 40.2 staff-years more than previously estimated, primarily for increased workloads in the Office of Finance and Accounting. The increase in support costs included increased purchases for supplies and procurement of furniture and equipment.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$132,539
Add Congressional action on 1990 Budget request	+2,091
Deduct funds required for sequestration and other reductions	-2,407
Deduct for staff transfer to Office of General Counsel	-39
Deduct for staff transfer to Office of Housing for mortgage insurance functional transfer	-14,000
Add all other personal services changes	+1,415
Add cost increase for HUD building space rental	+534
Deduct changes in automated data processing services costs primarily due to the transfer of mortgage insurance activities to Housing	-13,695
Net changes in contractual services requirements due primarily to the transfer of mortgage insurance activities to Housing	-1,300
Add revised estimates for all other support costs	+633
Current 1990 estimate	105,771

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The difference in staffing and funding levels from the Budget to the 1990 current estimate reflect the net of Congressional action, the Section 517 reduction, sequestration and other repricing changes. Funding changes are as follows:

- -- the addition by the Congress of 53.0 staff-years to support their approval of higher than requested program levels and support functions to accompany them required an increase of $2,091 thousand;
- -- the appropriation reduction, sequestration and personal services repricing required a decrease of $2,407 thousand in personal services;
- -- the transfer of 1.0 staff-year to the Office Drug-Free Neighborhoods in the Office of General Counsel resulted in a reduction of $39 thousand;
- -- the transfer of the mortgage insurance and support functions from Administration and Staff Services in 1990 resulted in decreases of $14 million and 354.8 staff-years in 1990. These amounts represent only a partial year transfer, with additional funding and staff-years being included in the 1991 estimates for Housing;
- -- all other personal services changes, including the 1990 pay raise ($884 thousand) and increasing personal services costs, resulted in an increase of $1,415 thousand;
- -- estimated space rental costs, based on rates from the General Services Administration, will require an additional $534 thousand;
- -- the transfer of the mortgage insurance function to Housing and a repricing of requirements resulted in a shift of automated data processing services costs from Administration and Staff Services to the Office of Housing;
- -- the transfer of the mortgage insurance function to Housing together with other small changes, resulted in a net decrease in contractual requirement in this activity of $1.3 million; and
- -- the appropriation reduction and sequestration, as well as other repricing based on current requirements, resulted in a net increase of $633 thousand in all other support costs.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$140,469	$105,771
Changes in staffing level	-15,539	-2,394
Fiscal year 1990 general pay raise	+884	+195
Fiscal year 1991 general pay raise	...	+391
Fiscal year 1991 Executive pay raise	...	+70
Changes in average personal services costs	+621	...
Budgeted reduction in average cost per staff-year	...	-1,310
Changes in Employees' Compensation Fund payment	-207	+499
Changes in travel costs	+655	+288
Changes in space rental costs	+3,874	+1,372
Changes in utilities costs	-2,042	...
Changes in automated data processing	-9,303	+24,315
Changes in management studies	-1,418	+2,113
Changes in technical services	+441	+325
Changes in supplies	-1,514	-29
Changes in furniture and equipment	-5,158	+2,477
Changes in all other support costs	-5,992	+1,019
Total obligations	105,771	135,102

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There is a decrease of $14,241 thousand in 1990 and $2,549 thousand in 1991 for personal services. These changes reflect the following:

- -- a decrease of $15,539 thousand in 1990 and a further decrease of $2,394 thousand in 1991 reflect net staffing decreases of 402.7 staff-years and 57.8 staff-years in 1990 and 1991, respectively. The 1990 decrease consists of the transfer of 354.8 staff-years to the Office of Housing associated with the mortgage insurance functional transfer, the transfer of 1.0 staff-year to the Office of Drug-Free Neighborhoods, and a decrease of 46.9 staff-years to reduce to the staff-years available for 1990 are a result of sequestration, Section 517 and other reductions. The 1991 change is the net of an increase of 46.8 staff-years for workload requirements, and to restore some of the staff-years provided by the Congress prior to sequestration and other reductions, more than offset by a decrease of 104.6 staff-years reflecting the full year transfer of the mortgage insurance activity to Housing;

- -- the general pay raise which became effective during January 1990 is estimated to require an increment of $884 thousand during 1990 and further increment of $195 thousand during 1991;

- -- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $391 thousand shown would cover a portion of the total requirement;

- -- the cost of the Executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $70 thousand shown would cover a portion of the total requirement;

- -- rising average salaries and benefits costs will require an additional $621 thousand in 1990;

- -- a budgeted reduction of $1,310 thousand in the average cost per staff-year in 1991 reflects the requirements to absorb pay raises and other personal services increases; and

- -- a decrease of $207 thousand in 1990 and an increase of $499 thousand in 1991 for the annual Employees' Compensation Fund payment to the Department of Labor.

There is a decrease of $20,457 thousand in 1990 and an increase of $31,880 thousand in 1991 for non-personal services. These changes reflect the following:

- -- increases of $655 thousand and $288 thousand in 1990 and 1991, respectively, for travel requirements associated with the staff training related to Secretarial priorities, including training on a new and/or revised major systems;

- -- increases of $3,874 thousand in 1990 and $1,372 thousand in 1991 reflect the increased space rental rates and requirements which are paid to the General Services Administration (GSA);

- -- a decrease of $2,042 thousand for utilities in 1990 reflects such cost being reflected in space rental costs in accordance with the change in the method by which such costs are assigned;

- -- a decrease of $9,303 thousand for automated data processing services in 1990 primarily reflects the shifting of requirements for mortgage insurance activities from Administration and Staff Services to the Office of Housing. The increase of $24,315 thousand in 1991 primarily reflects the continuation of the HUD Integrated Information Processing Service (HIIPS) project and increased systems development to support program and financial management reform initiatives, slightly offset by reduced in-house computing costs resulting from equipment ownership;

- -- a net decrease of $1,418 thousand for Management Studies in 1990 which reflects the transfer of funds to the Office of Housing for contract associated with mortgage insurance activities, a reordering of priorities within A&SS to support Department reform initiatives, and an overall reduction in funding required due to budget reductions in 1990. An increase of $2,113 thousand in 1991 includes contractor support for the Office of Management and Quality Assurance and the Immediate Office of the Assistant Secretary, primarily for studies related to reform initiatives throughout the Department;

-- an increase of $441 thousand for Technical Services in 1990 is primarily for an increased payment to the Department of Agriculture's National Finance Center for payroll processing services, and for additional Local Area Network (LANs) installations. The further increase of $325 thousand in 1991 supports payroll processing services based on the higher staffing levels proposed, and further installations and upgrades of LAN networks within the Department's overall office automation program;

-- decreases of $1,514 thousand and $29 thousand for supplies and materials in 1990 and 1991, respectively, reflect lower requirements due to a lower staffing level after the mortgage insurance transfer;

-- a decrease of $5,158 thousand in furniture and non-ADP equipment purchases in 1990 reflects overall constrained funding and lower requirements due to lower A&SS staffing levels due to the mortgage insurance transfer, as well as having satisfied some requirements for systems furniture and office equipment during 1989. An increase of $2,477 thousand in 1991 reflects increased requirements for new staff throughout the Department, because A&SS funds equipment and furniture procurements for all Headquarters offices, and office automation requirements for the entire Department; and

-- a net decrease of $5,992 thousand in 1990 and a net increase of $1,019 thousand in 1991 in all other support requirements such as travel, communications, equipment rental and printing reflect the lower staffing level in A&SS in 1990 and then the minor increase in 1991.

4. CONTRACTS

Certain contractual requirements are unique to this activity. The following table identifies the type of service provided, the office which is responsible for the contract and the associated funding for 1989, 1990 and 1991. It is followed by a brief description and discussion of the services provided.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Library Services					
Administrative and Management Services...	$626	$639	$636	$650	+$14
Training Contracts - Federal Employees					
Personnel and Training....................	1,540	1,576	2,150	2,000	-150
Management Studies					
Immediate Office of the Assistant Secretary for Administration............	...	100	...	2,100	+2,100
Finance and Accounting....................	2,280	1,572	376	520	+144
Management and Quality Assurance.........	200	...	686	555	-131
Subtotal..............................	2,480	1,672	1,062	3,175	+2,113
Technical Services					
Finance and Accounting....................	97	504	105	105	...
Personnel and Training....................	1,871	2,800	2,100	2,200	+100
Management and Quality Assurance.........	...	135	...	100	+100
Information Policies and Systems.........	419	622	622	747	+125
Subtotal..............................	2,387	4,061	2,827	3,152	+325
Data and Statistical Services					
Administrative and Management Services...	30	30	30	30	...
Information Policies and Systems.........	48	47	48	48	...
Subtotal..............................	78	77	78	78	...
General Support Services					
Administrative and Management Services...	128	200	200	268	+68
Procurement and Contracts.................	20	20	16	20	+4
Executive Secretariat.....................	52	7	43	200	+157
Subtotal..............................	200	227	259	488	+229
Total................................	7,311	8,252	7,012	9,543	+2,531

Library Services. These funds provide for the operation of the HUD Library by a contractor and various ancillary services, generally obtained from or through the Library of Congress. Approximately level funding to continue the current level of service is proposed. The increase from the 1990 current estimate to the 1991 estimate reflects normal cost increases.

Training Contracts - Federal Employees. These contract funds provide for various types of training for HUD employees, technical and managerial, both in Headquarters and the Field, which make them better able to perform their jobs. The funding provides for training facilities, development of training programs and associated support costs. Funding in this activity is under the Office of Personnel and Training for employee training Departmentwide. There is an increase from the 1990 Budget to the current estimate, reflecting a reform initiative to ensure that staff are properly prepared to do their jobs and then a decrease of $150 thousand in 1991 which reflects a leveling of requirements.

Management Studies. These funds provide for contractor assistance for management analysis activities. Contract support within the Office of Finance and Accounting for 1989 Actuals and 1990 Budget Estimate do not reflect the mortgage accounting transfer. The changes from the 1990 Budget to the 1990 current estimate reflect a net decrease of $610 thousand. There was a significant decrease for the Office of Finance and Accounting due to the functional transfer of the mortgage insurance activity to Housing, partially offset by an increase in contractor support for the Office of Management and Quality Assurance. The increased funding for 1991 would support management analysis requirements related to the Secretary's reform initiatives including staffing needs assessments, procedures reviews, studies expected to be required by the Chief Financial Officer mandated by the HUD Reform Act and other analyses, as needed.

Technical Support. These funds are for specialized technical support which is not identified in other categories. Contract support within the Office of Finance and Accounting for 1989 Actuals and 1990 Budget Estimate do not reflect the mortgage accounting transfer. The decrease from the 1990 Budget to the current estimate reflects a repricing of requirements for payroll processing services provided by the Department of Agriculture's National Finance Center (NFC). It also reflects a transfer from this area to management studies as reflected in the 1990 Operating Plan for the Salaries and Expenses, HUD appropriation, in the Office of Management and Quality Assurance and reduced requirement for the Office of Finance and Accounting, as well as the shift of funding responsibility for mortgage insurance contracts to the Office of Housing. The 1991 funding request reflects an increase from the 1990 current funding level, primarily for the projected increase in the payment to NFC for higher staffing in 1991 and the installation of additional LANs and LAN networks to increase the availability of up-to-date technology for all employees.

Data and Statistical Services. These funds reflect HUD's share of the costs of preparing two Governmentwide reports: the Single Audit Clearinghouse Report, prepared by the Department of Commerce; and the Consolidated Federal Funds Report, prepared by the Bureau of the Census. There is essentially level funding of this contract area.

General Support Services. These funds are for specific contracts within this subobject class. Generally, these funds are for contractor assistance in the Department's Headquarters warehouse, temporary word processing services for peak workloads, and other types of assistance. The increase into 1991 reflects the use of temporary employment for peak workloads dealing with Secretarial Correspondence.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Administration and Staff Services activity funds the Office of Administration at Headquarters except for the Working Capital Fund. This Office is responsible for general Departmental support such as accounting (except, beginning in 1990, for mortgage insurance accounting), management analysis, budgeting, personnel management, training, contracting, staffing and performance analysis, and general building and office services. The activity includes all Office of Administration functions except ADP, which is provided under the Working Capital Fund and is described in a later section of this part of the Justifications.

2. WORKLOAD

The principal workload of Administration and Staff Services consists of accounting for financial transactions, procurement and contract actions, equipment repairs, space alterations, communication services, personnel actions, publication services and space management, in addition to workload in connection with the budget, personnel, training and organizational policy functions.

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year................................	1,075	1,088	558	707	+149
Staff-Years................................	1,158.7	1,128.5	764.9	707.1	-57.8

Changes from the 1990 Budget estimate to the 1990 current estimate are the net effect of the following:

	FTPs	Staff-Years
Budget Estimate......................................	1,088	1,128.5
Congressional Action................................	+53	+53.0
Appropriation reduction, sequestration salary repricing and pay raise absorption................	-134	-60.8
Transfer to Office of Drug-Free Neighborhoods......	-1	-1.0
Functional transfer of mortgage insurance activity.	-448	-354.8
Current estimate......................................	558	764.9

Congressional action on the 1990 Budget request resulted in an increase of 53 positions and 53.0 staff-years for A&SS to provide adequate administrative support for the higher program and staffing levels enacted, primarily in the accounting area. Further Congressional action in the form of sequestration and the appropriation cut, along with internal requirements to absorb a higher than budgeted average cost per staff-year and the 1990 pay raise, resulted in a decrease of 61.0 staff-years and 134 positions. A&SS also contributed one FTP and 1.0 staff-year to the establishment of the Office of Drug-Free Neighborhoods within the Office of General Counsel. Finally, the functional transfer of the mortgage insurance activity to the Office of Housing resulted in decreases of 448 FTPs and 354.8 staff-years in 1990. The full year impact of this transfer to support the 448 FTPs in 1991 will be 459.4 staff-years. This shift is reflected in the 1991 staffing request for A&SS and Housing.

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel...........	1,055.1	728.7	647.4
Temporary and Part-Time Employees.......	76.9	13.6	37.1
Overtime................................	22.3	15.2	15.2
Terminal Leave..........................	4.4	7.4	7.4
Total Staff-Years.....................	1,158.7	764.9	707.1

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of this part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans and summer college students.

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EXPLANATION OF STAFFING REQUIREMENTS

The following tables indicate the distribution of full-time permanent appointments and staff-years for the organizations within Administration and Staff Services and are followed by a discussion of the functions and staffing requirements for each of those organizations.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Assistant Secretary for Administration	6	6	8	8	...
Ethics	...	...	5	5	...
Finance and Accounting	658	670	202 a/	250 a/	+48
Administrative and Management Services	132	137	107	139	+32
Personnel and Training	152	144	127	155	+28
Management and Quality Assurance	20	19	30	30	...
Procurement and Contracts	45	48	34	50	+16
Budget	45	47	32	50	+18
Executive Secretariat	17	17	13	20	+7
Total Full-Time Permanent Appointments, End of Year	1,075	1,038	558	707	+149

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Assistant Secretary for Administration	5.9	6.5	7.5	8.5	+1.0
Ethics	...	...	4.4	5.0	+0.6
Finance and Accounting	712.6	675.3	352.6 a/	247.6 a/	-105.0
Administrative and Management Services	142.2	143.1	127.6	142.0	+14.4
Personnel and Training	167.2	167.8	145.4	160.0	+14.6
Management and Quality Assurance	18.3	20.9	27.5	30.1	+2.6
Procurement and Contracts	45.1	48.3	41.9	47.8	+5.9
Budget	46.8	48.3	41.9	47.8	+5.9
Executive Secretariat	20.6	18.3	16.1	18.3	+2.2
Total Staff-Years	1,158.7	1,128.5	764.9	707.1	-57.8

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

a/ The 1990 current estimate reflect a partial year transfer (448 FTPs and 354.8 staff-years) of the mortgage insurance activity from A&SS to the Office of Housing. The 1991 estimate reflects this functional transfer for the entire year (448 FTPs and 459.4 staff-years). In addition, 8 positions and 8 staff-years were transferred to the Office of Management and Quality Assurance due to the transfer of internal control functions to that Office.

1. IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year	6	6	8	8	...
Staff-Years	5.9	6.5	7.5	8.5	1.0

The Assistant Secretary for Administration is responsible for the development and promulgation of policies, standards, procedures, systems and materials related to the administrative management of the Department and for the execution of such policies and directives at Headquarters and in the Field.

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The increases of 1.0 staff-year in 1990 and another 1.0 staff-year in 1991 would provide for policy support in financial management and an Executive Assistant.

2. OFFICE OF ETHICS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year..............................	...	...	5	5	...
Staff-Years..............................	...	...	4.4	5.0	+0.6

The Office of Ethics is responsible for developing, coordinating, managing, and overseeing the Department's program of ethics and standards of conduct. The purpose for this Office is to improve the ethics culture within the Department and better inform employees and others who have responsibilities and requirements under the ethics statutes and regulations.

This Office was formed as a result of the Secretary's desire for an independent free-standing Office of Ethics under the Assistant Secretary for Administration. The Office was established on January 27, 1990. The staffing of this Office is within the 1990 current staffing allocation for the Office of Administration. The increase of 0.6 staff-year in 1991 will support 5 FTPs for the full year. The responsibilities of this Office are as follows:

- development and revision of agency policies and guidelines covering employee responsibilities and conduct;
- collection and review of Financial Disclosure Reports filed by certain HUD employees and by all experts and consultants employed by HUD;
- monitoring the review of reports conducted by Regional Counsel and other ethics personnel;
- provision of annual ethics and standards of conduct training to all HUD personnel, development of materials required for this training;
- provision of training and guidance to HUD officials charged with responsibilities for the ethics program;
- counseling of individual HUD employees on ethics and standards of conduct questions; preparation and dissemination to all employees of rulings and opinions on ethics and standards of conduct matters that are of general interest and applicability;
- recommendation and monitoring of corrective actions required to remove ethical and standards of conduct violations by individual HUD employees;
- maintenance and dissemination to Department personnel of changes in program-related statutory or regulatory provisions which affect all HUD employees;
- collection, review, and publication of information set forth in reports required by law or regulations to be filed with the Secretary by persons making expenditures to influence the decision of any HUD officer or employee with respect to the award of any financial assistance within the jurisdiction of HUD or of any management action involving a change in the terms and conditions or status of financial assistance awarded to any person; and, in registration statements required by law or regulations to be filed with the Secretary by persons receiving payment or consideration for any of those purposes; and
- monitoring and evaluation related to ethics of all program activities and documentation for substantive accuracy, quality and timeliness; development and implementation of required modifications and improvements.

3. OFFICE OF FINANCE AND ACCOUNTING

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year..................................	658	670	202	250	+48
Staff-Years..................................	712.6	675.3	352.6	247.6	-105.0

The Office of Finance and Accounting (OFA) provides policy direction, review and coordination of the fiscal and accounting responsibilities of the Department and, with the assistance of the ten Regional Accounting Divisions, provides accounting services for all administrative activities of the Department and for all operating programs, except for those administered by the Government National Mortgage Association and, beginning in 1990, except for those relating to FHA mortgage insurance activities.

The staffing requirements for the Office of Finance and Accounting are derived by applying production ratios to projected workload levels. The production ratios are supported by a work measurement system maintained by the Office.

During fiscal years 1990 and 1991, OFA will refine the organizational structure. This will be done for two reasons. First, the Mortgage Insurance Accounting and Servicing functions were transferred to the Office of Housing. Second, the realignment of the remaining functions is necessary to improve workflow, eliminate unnecessary paper handling, promote timeliness and efficiency of operations, and enhance the cash handling system. As a result, the Resource Allocation Guideline System (RAGS) within the Office may undergo some changes. Some of the functions detailed in this Budget may be revised or eliminated in future submissions to reflect new indicators of measurement.

A reduction of 105.0 staff-years from the current 1990 level is proposed for OFA in 1991. This reflects the full year impact of the transfer of the FHA/MIAS functions to the Office of Housing during 1990.

The Office is composed of the Director's office, three staff offices and two operating groups containing seven operating divisions and one staff office. The following tables display the distribution of the positions and staff-years by office. These tables are followed by a brief discussion of the duties and responsibilities of each office and the multi-year workload estimates for each office.

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	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Director's Office:	(61)	(63)	(51)	(56)	(+5)
Director's Office	11	11	11	11	...
Administration and Management Staff	23	25	19	21	+2
Financial Management Systems Staff	12	12	7	9	+2
Reports Control and Analysis Staff	15	15	14	15	+1
Mortgage Insurance Accounting and Servicing Group:	(412)	(423)	(...)	(...)	(...)
Director's Office	13	15	...	...	...
Systems and Management Oversight Division	27	27	...	...	...
Insurance Operations Division	133	160	...	...	...
Insurance Claims Division	101	87	...	...	...
Post Insurance Division	138	134	...	...	...
General and Program Accounting Group:	(185)	(184)	(151)	(194)	(+43)
Director's Office	22	8	8	16	+8
Systems Staff	23	19	10	24	+14
General Programs Division	50	56	55	62	+7
Subsidized Housing Division	47	53	51	57	+6
Financial Control and Accounting Division	43	48	27	35	+8
Total Full-Time Permanent Appointments, End of Year	658	670	202	250	+48

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Director's Office:	(61.9)	(64.0)	(57.5)	(56.6)	(-0.9)
Director's Office	11.7	11.0	11.0	10.0	-1.0
Administration and Management Staff	24.9	25.0	22.3	22.3	...
Financial Management Systems Staff	9.4	12.5	9.0	9.0	...
Report Control and Analysis Staff	15.9	15.5	15.2	15.3	+0.1
Mortgage Insurance Accounting and Servicing Group:	(447.9)	(423.0)	(103.5)	(0.0)	(-103.5)
Director's Office	12.2	15.0	2.9	...	-2.9
Systems and Management Oversight Division	24.0	25.9	4.5	...	-4.5
Insurance Operations Division	171.2	159.1	36.9	...	-36.9
Insurance Claims Division	93.3	88.0	26.0	...	-26.0
Post Insurance Division	147.2	135.0	33.2	...	-33.2
General and Program Accounting Group:	(200.5)	(184.8)	(188.1)	(187.5)	(-0.6)
Director's Office	20.3	8.5	16.0	15.5	-0.5
Systems Staff	20.0	18.0	23.0	23.0	...
General Programs Division	54.9	56.0	58.8	58.9	+0.1
Subsidized Housing Division	56.5	53.7	55.7	56.4	+0.7
Financial Control and Accounting Division	48.8	48.6	34.6	33.7	-0.9
Subtotal	710.3	671.8	349.1	244.1	-105.0
Terminal Leave	2.3	3.5	3.5	3.5	...
Total Staff-Years	712.6	675.3	352.6	247.6	-105.0

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

DIRECTOR'S OFFICE

Director's Office. This Office has responsibility for establishing operational priorities and procedures, providing general direction, coordinating the collection activities for all Department offices, and assisting Departmental officials in developing guidelines, procedures and agreements with respect to Department of Treasury borrowings and repayments, bond servicing, interest rate determinations and other financial and accounting matters.

Administration and Management Staff. This staff has responsibility for all of the administrative functions within the Office of Finance and Accounting. These include, but are not limited to: budget preparation and execution, staff resource planning, micrographics, personnel, training, purchase of supplies, equipment rentals and purchases, procurement and contracting, management development, performance management systems, employee communications systems, mail and messenger services, employee and labor relations, resource allocation and management systems, forms and records management liaison, issuance management, and employee development.

Financial Management Systems Staff. This staff has responsibility for ensuring the efficient development and operation of accounting policies and internal controls within OFA; performing support functions to groups within OFA on audit resolution; and assisting Departmental officials in developing reports on the Federal Manager's Financial Integrity Act (FMFIA) and the Secretary's Semi-Annual Report to Congress on OIG Audits.

Reports Control and Analysis Staff. This staff has responsibility for defining, preparing, or recommending the preparation of reports, statement, and analyses for HUD officials, the Office of Management and Budget (OMB), the Department of the Treasury, the General Accounting Office (GAO), and others. The staff plans, directs, conducts and coordinates the preparation of financial reports to HUD management, Treasury, OMB, GAO and other Government organizations, and performs all appropriate reconciliations. The staff also determines the present and future cash needs of the various insurance funds, determines and recommends borrowing needs, makes investments of excess cash in U.S. guaranteed securities, and submits authorizations for investments to the Department of Treasury.

The following table provides actual and estimated workload levels for this Staff for 1989, 1990 and 1991.

	ACTUAL 1989	ESTIMATED 1990	ESTIMATED 1991
Report Preparation........................	3,530	3,400	3,500

MORTGAGE INSURANCE ACCOUNTING AND SERVICING GROUP

This Group was transfered to the Office of Housing during 1990. A full description of their activities along with budget and workload estimates can be found in the Housing Administrative Expenses Justification.

GENERAL AND PROGRAM ACCOUNTING GROUP

The General and Program Accounting Group (GPA) has responsibility for collection, disbursement, accounting, and financial reporting pertaining to the various housing programs that HUD administers. The National Housing Act of 1937, as amended, and other housing program statutes authorize the Department to conduct these programs, and a variety of other directives underline the associated accounting and financial management activities. The latter directives include the Budget and Accounting Procedures Act of 1950, as amended, the Federal Managers' Financial Integrity Act of 1982, related OMB Circulars such as A-123 (internal controls), the Debt Collection Act of 1982, and the Prompt Payment Act. This Group also advises on, performs accounting for, processes and records all general administrative financial and accounting activities of HUD, except those assigned to the Government National Mortgage Association and Federal Housing Administration (Office of Housing). Under supervision, this Group provides policy direction, review and coordination for all of the accounting activities within the units of this Group. These units are described below.

Systems Staff. This Staff has the primary responsibility for preparing, reviewing and publishing accounting Handbooks and Manuals, instructions and forms for all general, administrative, and some mortgage insurance servicing functions in the Department. The Staff has responsibility for developing and implementing a number of fully automated accounting systems for all the major functions within the Group; conducting continuous reviews of all the mechanized systems in GPA, recommending changes/enhancements to ensure that all processing functions are efficiently and effectively performed by the operating divisions of the Group, and providing technical assistance to and oversight of the operations of HUD's ten Regional Accounting Divisions nationwide; and administering all payments made through the Automated Clearinghouse (ACH) Payment System.

General Programs Division. Title I of the Housing and Community Development Act of 1974, as amended, authorizes HUD to make grants to general local government and State units to fund local community development programs, and to distressed cities and distressed urban counties to fund economic development projects. Section 312, National Housing Act of 1964, as amended, authorizes the making of loans to low and moderate income applicants to rehabilitate residential and commercial properties. Section 202, National Housing Act of 1959, as amended, authorizes the making of loans to nonprofit organizations to provide housing for the elderly or handicapped.

This Division performs all the accounting functions for these and other programs. In addition, this Division does the accounting for HUD's Working Capital Fund and the Salaries and Expenses, HUD Appropriation, and disburses funds for both program payments and HUD's administrative expenses. It also performs appropriate reconciliations, prepares financial reports for budget and control purposes and for program management. An analysis and revision of workload indicators to more efficiently measure workload throughout the Division was completed in 1989.

The changes in workloads are explained as follows: (a) the increase in Reconciliations Processed reflects a major effort in 1990 to reconcile prior year salaries and expenses cash transactions. This increase will carry into 1991 and beyond due to changing the frequency of certain reconciliations from quarterly to monthly and annual to semi-annually to avoid developing back-logs in this area; (b) the decrease in Funding Documents Processed reflects a Proposed decentralization of the Supportive Housing and Housing Counseling Programs; (c) the slight increase in Financial Reports Issued reflects the addition of a new program, the Nehemiah Housing Opportunity Program; (d) the increase in workload for Vendor/Recipient Paid reflects the first full year of letter of credit payments being processed through the Centralized Letter of Credit Control System-Treasury Financial Communications System (LOCCS-TFCS), and the addition of regional payments on centralized tapes in the Program Accounting System/LOCCS; and, (e) the decrease in Receivables/Loans Serviced reflects lower program levels that have occurred during the last two years for the Section 312 Program.

The following table provides actual and estimated workload levels for this Division for 1989, 1990 and 1991:

WORKLOAD	ACTUAL 1989	ESTIMATED 1990	ESTIMATED 1991
Reconciliations Processed....................	7,396	9,140	9,140
Funding Documents Processed..................	37,872	30,000	30,000
Financial Reports Issued.....................	9,299	9,360	9,360
Vendors/Recipients Paid......................	80,245	90,000	91,800
Receivables/Loans Serviced...................	595,486	552,000	552,000

Subsidized Housing Division. The National Housing Act of 1937, as amended, authorizes HUD to make loans and grants for the development and modernization of low-income housing projects, to pay operating subsidies to meet operating expenses in excess of income, and to make annual contributions on all permanently financed projects to Public Housing Authorities (PHAs) and Indian Housing Authorities (IHAs) participating in the Low-Income Housing program. Also, the Act authorizes HUD to make subsidy payments to third-party mortgagees, private owners and management agents to reduce rents of mortgage payments for low-income beneficiaries. This Division has responsibility for reporting, controlling, reconciling, analysing and preparing financial statements for the subsidized Housing programs.

The following table provides actual and estimated workload for this Division for 1989, 1990 and 1991.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Financial Reviews/Reports....................	4,055	4,225	4,225
Receivables and Loans Serviced...............	67,408	66,198	66,198
Note Histories Processed.....................	233	240	277
Vendors/Recipients Paid......................	79,161	79,161	79,161
Financial/Mortgagee Reports Prepared.........	58,308	53,312	53,312
Excess Income and Other Collections..........	26,151	26,985	26,846
Vouchers Paid................................	7,145	7,240	7,240

Financial Control and Accounting Division. This Division sets HUD accounting policies, develops accounting handbooks and provides oversight to ensure adherence to those policies and handbooks for all collections, deposits, disbursements, accounting, and financial reporting. This Division also plans, directs, coordinates, and monitors the various activities related to the Department's Cash, Credit, and Debt Management Program. This Division also provides technical direction to the Regional Accounting Directors on matters relating to cash and non-cash transactions.

An increase in FTP staff applied to Accounting and Financial Management projects is in support of the increased emphasis and priority within the Department on financial management and the Division's mission to set accounting policies and oversee compliance. Staff-years remain essentially level. The increase in workload for these projects is attributed to the recent transfer of Cash, Credit, and Debt Management functions. A decrease in Subsidiary Ledger Documents is the result of the transfer of this function to the Office of Housing in March 1990. The decrease in Subsidiary Ledger Documents is attributed to the implementation of the Single Family Accounting and Management System.

The following table provides actual and estimated workload levels for this Division for 1989, 1990 and 1991.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1990
Accounting and Financial Management..........	2,346	2,400	2,400
Subsidiary Ledger Documents..................	8,082	4,200	0
Disbursement Documents.......................	96,106	15,500	15,500
Collection Documents.........................	97,813	97,800	97,800

4. OFFICE OF ADMINISTRATIVE AND MANAGEMENT SERVICES

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Office of the Director	4	4	4	4	...
Administration and Travel Support	5	5	4	5	+1
Emergency Preparedness Staff	4	4	3	4	+1
Management Services Division	45	46	35	46	+11
Communications and Space Management Division	18	20	15	20	+5
Facilities Operations Division	56	58	46	60	+14
Total Full-Time Permanent Appointments, End of Year	132	137	107	139	+32

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Office of the Director	4.0	4.0	4.0	4.0	...
Administration and Travel Support	5.8	5.8	4.8	5.8	+1.0
Emergency Preparedness Staff	4.8	4.8	4.0	4.8	+0.8
Management Services Division	46.6	46.8	42.8	46.2	+3.4
Communications and Space Management Division	19.0	19.3	17.0	18.8	+1.8
Facilities and Operations Division	62.0	62.4	55.0	62.4	+7.4
Total Staff-Years	142.2	143.1	127.6	142.0	+14.4

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

Differences in staffing from the 1990 Budget to the 1990 current estimate reflect the Section 517 reduction, sequestration and other repricing changes which resulted in staffing reductions. The 1991 estimate reflects staff levels necessary to adequately provide timely administrative support services.

The Office of Administrative and Management Services (OAMS) is responsible for the development, administration and evaluation of all administrative services for the Department. These services include, but are not limited to, Headquarters building operations, Departmental space and communications, management and organization analysis, paperwork management, emergency preparedness, safety services, imprest funds for travel services for Headquarters personnel, and overall management of printing and visual arts activities.

The staff requirements for this Office are based on projected workload levels. The following material provides a brief discussion of the duties and responsibilities of each organization within OAMS and examples of the Office workload, where applicable.

a. Office of the Director. The Director is responsible for establishing policies and procedures required for the Department's administrative services programs and for the planning, management and operation of OAMS, as well as for assigning priorities and advising the Assistant Secretary for Administration and other Departmental officials on matters relative to these functions.

b. Administration and Travel Support Staff. This Staff is responsible to the Director for management of the Office, for coordinating budget planning in OAMS, for tracking Salaries and Expenses obligations for OAMS, and for administering the Headquarters Travel Imprest Fund. The Staff provides all other administrative support required by OAMS in such areas as ceiling control, personnel, time and attendance, and travel.

c. Emergency Preparedness Staff. This Staff is responsible for national civil emergency plans and preparedness programs, for the overall coordination and direction of HUD defense planning, and for the administration of the Departmentwide safety and health programs.

d. Management Services Division. The Division is responsible for providing management and general administrative support to the Office Director and other division directors. The Division supports the Department by developing policies and procedures for paperwork management and by performing specific paperwork functions including managing, coordinating, printing, distributing and guiding the storage and disposition of official written material.

The specific responsibilities of the Division include:

(1) reviewing and preparing coordinated Office responses to proposed Departmental issuances, legislation and directives from other departments and agencies; scheduling, planning and conducting Office efficiency studies such as Circular A-76 reviews; reviewing and coordinating audit reports relating to Office functions; and conducting A-123 reviews for the Office;

(2) coordinating OAMS office automation;

(3) operating and maintaining the Departmental directives system;

(4) conducting the Departmental records management program and coordinating all micrographics operations as part of the records management program;

(5) developing Departmental policy with regard to the use of advisory and interagency committees, including the Department's Committee Management System;

(6) administering the Library services contract; and

(7) providing printing and visual arts services for Headquarters and developing and implementing printing and graphic arts policies for the Department.

The following table shows actual and estimated workload levels for printing and visual arts functions for 1989, 1990 and 1991.

WORKLOAD INDICATOR	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Number of printing requisitions received	2,760	2,800	2,800
Number of pages imprinted in HUD printing plant	16,345,360	16,500,000	16,500,000
Number of orders sent to Government Printing Office	551	575	575
Number of orders sent to private contractors	720	750	750
Number of pages reproduced in HUD quick-copy center	21,304,000	22,000,000	22,000,000
Number of visual arts requisitions performed in-house	522	530	530
Number of visual arts requisitions performed by contractors	784	790	790
Number of photographic assignments	650	700	700

e. Communications and Space Management Division. This Division is responsible for developing Departmental policy on the management of space and communications resources and for providing technical assistance on such matters to Headquarters and the Field; conducting Departmentwide operations relating to communications management; and managing Headquarters space.

The specific responsibilities of the Division include the following functions:

(1) developing policy for and overseeing Departmentwide operations relating to the use of facsimile, teletype, longline and telephone communications systems, including the coordination and installation of data facilities for nationwide networks;

(2) maintaining liaison with the General Services Administration (GSA), other Federal agencies and the private sector concerned with communications; implementing and evaluating communications systems throughout the Department; coordinating and gathering information for the production of the Department telephone directory and providing directory assistance to other Federal agencies, the Congress and industry groups;

(3) developing Departmentwide policy for Headquarters and conducting necessary operations relating to the development, acquisition and utilization of space, including design of functional layout plans;

(4) providing budgetary and operational cost data relating to space and communications requirements, and providing advice and assistance on special space problems;

(5) maintaining liaison with GSA, other Federal agencies and private industry regarding space matters;

(6) evaluating the effectiveness of the Departmentwide space program; and

(7) maintaining current scale layouts of all occupied space.

The following table provides actual and estimated workload levels for this Division for 1989, 1990 and 1991:

WORKLOAD ITEM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Space Planning--Square Footage	762,000	1,000,000	800,000
Telecommunications Management Surveys	9	8	8
Telephone Changes	6,800	6,500	6,500
Information Assistance	120,130	120,000	120,000
Field Space Management--Square Footage	710,000	800,000	800,000

f. Facilities Operations Division. This Division is responsible for matters relating to the operation of the Headquarters facility in Washington, DC. These include operation and maintenance of the HUD Headquarters building, office services, transportation, mail and messenger services, personal property and supply management, and parking management for the Headquarters building. Additionally, the Division is responsible for the development and implementation of Departmentwide policies for personal property and supply management, motor vehicle management, and mail operations and messenger services.

Unique functions performed by this Division include:

(1) real property operations--full functional operation and maintenance of the physical plant of the Headquarters building under a 5-year delegation from GSA. Responsibilities include mechanical operation of the facility, custodial services, mechanical equipment repair, building security and energy management;

(2) office machine repair--maintains contractual capabilities for office machine servicing;

(3) personal property and labor services--maintains in-house and contractual capability for furniture repair and office moves within the Headquarters building; and

(4) storage and distribution--responsible for central warehousing and bulk distribution of forms, directives and publications; for Headquarters distribution of furniture and equipment; for providing technical advice on transportation of things; and for maintaining an adequate stock of furniture, forms and publications.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10:- Administration and Staff Services

The following table provides actual and estimated workload levels for this Division for 1989, 1990 and 1991:

WORKLOAD ITEM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Printed Material Management--Items Processed............	81,757	90,000	90,000
Property Management--Requisitions..........................	1,425	1,400	1,400
Routine Mail Processing....................................	6,694,182	6,900,000	6,900,000
Special Mail Processing....................................	237,442	237,000	237,000
Motor Vehicle Pool Operation-Trips.........................	26,019	26,000	26,000
Office Machine Repairs.....................................	1,090	1,000	1,000
Building Service Calls.....................................	7,506	7,000	7,000
Preventive Maintenance Line-Items..........................	6,810	6,810	6,810
Building Repair Projects...................................	142	75	75
Building Inspections.......................................	1,800	1,800	1,800

5. OFFICE OF PERSONNEL AND TRAINING

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Office of the Director......................	8	7	5	8	+3
Management and Labor Relations Division....	20	19	17	23	+6
Employment and Classification Division.....	60	55	42	54	+12
Executive Personnel Management Division....	...	...	7	9	+2
Evaluation and Systems Division............	29	29	26	26	...
Training Division..........................	35	34	30	35	+5
Total Full-Time Permanent Appointments, End of year..............................	152	144	127	155	+28

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Office of the Director......................	9.0	9.0	7.0	8.0	+1.0
Management and Labor Relations Division....	22.0	22.0	20.0	24.0	+4.0
Employment and Classification Division.....	61.2	61.8	50.4	57.0	+6.6
Executive Personnel Management Division....	...	...	8.0	9.0	+1.0
Evaluation and Systems Division............	39.0	39.0	26.0	26.0	...
Training Division..........................	36.0	36.0	34.0	36.0	+2.0
Total Staff-years..........................	167.2	167.8	145.4	160.0	+14.6

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

The increase of 14.6 staff-years reflects a partial return to historical staffing levels, prior to staffing reductions necessitated by the appropriation reduction, sequestration and other repricing changes.

In 1990, the Office of Personnel and Training separated the executive personnel function from the Employment Classification Division to form the Executive Personnel Management Division to give higher visibility to the management and operation of personnel services to executives.

The Office of Personnel and Training (OPT) is responsible for planning, developing, administering and evaluating all personnel and training programs for the Department. Current priorities related to meeting these responsibilities include:

-- coordinating the personnel/payroll automation effort, including;

  (a) providing ongoing operational support to the personnel/payroll function;

  (b) rapid expansion of automation/microcomputer applications to existing/essential personnel functions; and

  (c) providing pay and leave guidance to Departmental management;

-- implementing recommendations and supporting activities of organizational working groups;

-- continued emphasis on improving recruitment and selection procedures;

-- maintaining the Departmental position management program;

-- addressing management and employee development needs through a variety of efficient and effective training and consulting strategies;

-- maintaining current high-quality level of advice and assistance provided on performance and conduct problems;

-- implementation and administration of the new HUD/AFGE contract;

-- continuing support of executive services activities, including the timely and efficient administration of the Executive Performance Appraisal System and Senior Executive Award programs;

-- issuing personnel and training policy and procedures manuals;

-- implementing staff reduction activities, if necessary, and providing responsive placement assistance to affected employees;

-- implementing any changes to the Departmental Performance Management System;

-- organizational and operations improvements;

-- promoting the concept of the drug-free workplace; and

-- providing employee support through employees assistance programs.

WORKLOAD ITEM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Negotiations with Union Officials	65	75	60
Policy and Guidance Documents Issued	60	85	95
Disciplinary and Adverse Actions Initially Received	150	150	175
Inspector General Reports Received	46	46	50
Adverse Actions Processed	40	40	45
Consultations on Adverse Actions	100	100	150
Consultations with Labor Unions	1,900	2,900	2,900
Personnel Transactions Processed	24,000	25,000	25,000
Merit Staffing Actions Completed	750	800	700
Noncompetitive Staffing Actions	15,000	15,500	16,000
Delegated Examining Unit Activity	75	75	95
Positions Classification (positions reviewed)	3,500	3,500	3,500
Employee Retirement Counseling, including counseling on the new Federal Employees Retirement System (FERS)	1,500	1,500	1,500
Employee Injury Counseling	50	50	50
Applications Processed	10,000	10,000	8,000
Counseling Related to Staffing Adjustments	400	500	400

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Administration and Staff Services

a. Office of the Director. The Director plans and directs all functions of the Office, serves as the Department's principal advisor and representative for personnel management and pay administration, and develops and recommends Departmentwide policy on personnel and pay matters. The Director is assisted in these responsibilities and duties by a Deputy Director, who acts for the Director in his absence. The Director's immediate staff provides administrative support in the areas of ceiling control, budget, personnel correspondence, Departmental staff bulletins, time and attendance, administrative services, training, travel, records management and other areas.

b. Management and Labor Relations Division. This Division is responsible for developing Departmental policies, programs and systems related to employee performance appraisal, merit pay, labor relations, employee conduct, incentive awards, and the Employee Assistance Program (EAP), and for their implementation and administration in Headquarters. Specific responsibilities of this Division include:

(1) assisting Headquarters and Field Offices in implementing provisions of the HUD contract with the American Federation of Government Employees (AFGE);

(2) ensuring proper Union consultation and negotiations for all management decisions affecting personnel policies, procedures and working conditions; coordinating and interpreting the AFGE contract; developing management's position in party proceedings, such as Unfair Labor Practice hearings, arbitrations, negotiability appeals and unit clarification hearings; and providing direction, advice and assistance to Field offices with National Federation of Federal Employees (NFFE) units;

(3) developing, monitoring and evaluating the Department's policies with respect to adverse actions, performance-based actions and administrative grievances; providing assistance to operating personnel offices and managers, including the Deputy Under Secretary for Field Coordination, in initiating actions; developing and providing training for operating personnel specialists; monitoring Inspector General reports to ensure appropriate management action; recommending intervention by higher management whenever action initiated by lower management is inappropriate; maintaining retrievable data bases in the area of adverse actions, performance-based action and appeals; administering the HUD Grievance Examiner Cadre; and

(4) administering the HUD performance appraisal systems and developing policies for improvement of the systems.

The following table provides comparative workload data for this Division for 1989, 1990 and 1991:

WORKLOAD ITEM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Unfair Labor Practice Cases	150	160	150
Union Grievances	150	170	100
Arbitrations	40	40	40
Performance and Conduct Enforcement: Adverse Actions and Performance-Based Actions:			
Indirect Involvement	52	52	60
Actions Processed	40	40	45
Administrative Grievances:			
Indirect Involvement	70	70	75
Direct Involvement	23	23	25
Briefing and Position Papers	40	40	35
Merit Systems Protection Board Appeals	7	7	10
Inspector General Reports Reviewed	46	46	50
Regulatory Interpretations and Advice:			
Employee Relations, Labor Relations and Incentives	110	100	100
Performance Ratings Reviewed:			
Indirect Involvement	11,000	11,000	11,000
Direct Involvement	3,500	3,400	3,500
Incentive Awards:			
Indirect Involvement	300	300	250
Direct Involvement	800	750	750

c. Employment and Classification Division. This Division is responsible for developing Departmental policies, programs and systems related to employment, position management and classification, reductions-in-force, outplacement counseling and employee health benefits, and for their implementation and administration. This Division also provides operational classification, staffing and payroll support services for all Headquarters employees, except executives. Specific responsibilities include:

(1) ensuring timely processing of Headquarters actions in compliance with the U.S. Office of Personnel Management (OPM) and HUD policies and procedures;

(2) providing merit staffing services for HUD positions, including policy guidance;

(3) ensuring timely and accurate application of new and revised OPM classification standards;

(4) soliciting Departmental comments on OPM draft guidance on employment, staffing and classification issues;

(5) conducting position reviews and occupational studies;

(6) representing the Department's position with OPM on issues of Departmental concern in the areas of employment and classification; and

(7) operating comprehensive retirement counseling programs and special placement programs for Headquarters employees.

The following table provides comparative workload data for this Division for 1989, 1990 and 1991:

WORKLOAD ITEM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Personnel and Payroll Actions Approved and Coded........	24,000	30,000	28,000
Requests for Certification for Employment Submitted to OPM or Done by HUD........................	75	120	105
Computations of Estimated Annuities.....................	1,500	1,500	1,500
Key Field Vacancies Staffed.............................	25	25	25
Regulatory Interpretation and Advice (Employment).......	1,200	1,000	1,000
Regulatory Interpretation and Advice (Classification)...	500	500	450
Briefing and Position Papers............................	100	80	80
Controlled Correspondence...............................	1,300	1,300	1,300
Health Benefits Counseling..............................	600	600	600
Classification Reviews--Routine Clerk...................	2,200	2,200	2,100
Classification Audits/Evaluations.......................	1,100	1,100	800
Classification Appeals Filed by Employees...............	25	25	25

d. Executive Personnel Management Division. This Division is responsible for the full range of personnel programs and operations for the Department pertaining to Senior Executive Service (SES), Executive Level, Schedule C, Supergrade, Expert and Consultant, and Field manager positions; and provides personnel services to several major Headquarters organizational units.

The Division is responsible for the formulation and development of policies, programs, and implementation guidelines, and the full range of personnel operations pertaining to the above employee groups and organizations. Specific responsibilities of the Division include:

(1) ensuring timely processing of personnel and pay actions in compliance with the U.S. Office of Personnel Management (OPM) regulations and policies, and HUD policies and procedures;

(2) providing staffing (competitive and noncompetitive) and classification services for positions serviced, including policy guidance;

(3) administering the Executive Performance Appraisal System and developing policies for improving the system;

(4) establishing and maintaining the operations of the Performance Review Board;

(5) coordinating the executive awards programs, including the Presidential Rank awards program; and

(6) monitoring the SES position allocations, including the establishment of SES positions, the use of noncareer appointment authorities, and the designation of career-reserve positions to maintain the required floor set by OPM.

The following table provides comparative workload data for this Division for 1989, 1990 and 1991:

WORKLOAD ITEM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Personnel and Payroll Actions Approved and Coded	4,000	3,500	4,000
Requests for Certification for Employment Submitted to OPM or Done by HUD	20	20	20
Senior Executive Service and Executive Level Appointments	40	30	25
Schedule C Appointments Made	50	50	50
Experts and Consultants Hired and/or Extended	50	50	30
Key Field Vacancies Staffed	25	25	25
Regulatory Interpretation and Advice (Employment)	200	200	200
Regulatory Interpretation and Advice (Classification)	50	50	50
Briefing and Position Papers	30	30	30
Controlled Correspondence	150	150	150
Classification Reviews--Routine Clerk	200	200	100
Classification Audits/Evaluations	30	30	30
Executive Appraisals Processed	125	125	125

e. Evaluation and System Division. This Division is responsible for developing and administering Departmental pay and leave policies and programs; serving as liaison with the National Finance Center; and developing employment data for use in budgeting and work force analysis. It is also responsible for conducting a comprehensive Personnel Management Evaluation (PME) program; monitoring and implementing the Department's organizational control program; maintaining all personnel policies in a single manual of essential handbooks and issuances; and performing a variety of management responsibilities.

Salaries and Expenses, Housing and Urban Development
Budget Activity 10: Administration and Staff Services

The following table provides comparative workload data for this Division for 1989, 1990 and 1991:

WORKLOAD ITEM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Management Studies	5	4	4
Personnel Management Evaluation (Regulatory) Studies	3	3	3
Performance Reviews	10	10	10
Management Reports	50	70	70
Management Improvement Projects	2	2	2
Microcomputer Applications	6	5	5
Organizational Changes	56	75	75
Employees Payrolled (NFC)	13,422	13,600	13,600
Pay/Leave Questions Answered	3,500	3,500	4,000
Pay Cases Researched	900	900	1,000
Checks Distributed in Headquarters	10,000	10,000	4,340
Interpretations and Advice (Pay and Leave)	4,000	5,000	5,000
Briefings and Position Papers	7	7	7
PC-TARE Processing Assistance	1,000	1,200	1,200
Salary Overpayment Waiver Cases	13	15	15
Restored Annual Leave Cases	69	65	65
Voluntary Leave Transfer Applications	50	55	60
Donated Annual Leave Hours Transferred	9,000	10,000	11,000
Receipt Accounts Processing	...	300	300
Personnel Operations Inquiries	...	3,200	3,500
Special Services	...	1,200	1,200
Coordination of Ideas of Office	45	45	45
Consultation on EEO Final Agency Decisions	93	95	95

f. Training Division. Provisions of the Government Employees Training Act of 1958, Executive Order 11348, the Federal Personnel Manual, and OMB Circular A-48 authorize and direct the head of each department to investigate training needs and to plan, program, budget for, operate and evaluate training programs.

The Office of Personnel and Training provides primarily two types of training--program/technical and managerial. The amount and kind of program/technical training may vary widely from year to year in response to new program directions and employee skill needs. In contrast, managerial training, including executive development, is directed towards relatively consistent objectives for a specific population. Resource allocation for both programs is determined by training needs surveys.

The Department's training is conducted at various locations in the Washington, DC, metropolitan area and in the Field. Some specific activities of the Division are:

(1) developing and implementing training policies, standards and procedures;

(2) developing and instructing skill-based packages training both in Headquarters and in the Field;

(3) training instructors to deliver training;

(4) providing technical training (training design) guidance to program officials responsible for developing and conducting individual training courses;

(5) designing programs to meet the needs of supervisors, managers and executives;

(6) evaluating training course effectiveness;

(7) working with the various organizations in the Department to improve job performance and productivity; and

(8) developing, implementing and evaluating (with ADP staff) all training efforts which make use of computer capabilities.

The following table provides comparative workload data for this Division for 1989, 1990 and 1991:

WORKLOAD ITEM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Program/Technical Training:			
Courses	368	325	325
Participants	6,491	6,000	6,000
Management Development Activities: a/			
Courses	197	166	166
Participants	1,711	1,400	1,400
Organizational Development Projects	92	75	75
Participants	990	900	900
Instructor Training:			
Sessions	12	15	15
Participants	145	150	150
Contracted Training Products: b/	8	6	6

a/ The decrease in management development courses from 1989 reflect a change in strategy to accomplish training--less centrally-managed courses, more regional courses.

b/ Contracted Training Products encompasses products previously displayed as Alternative Instructional Methodologies.

6. OFFICE OF MANAGEMENT AND QUALITY ASSURANCE

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year	20	19	30	30	...
Staff-Years	18.3	20.9	27.5	30.1	+2.6

The Department's management controls program was transferred from the Office of Finance and Accounting to the Office of Management and Quality Assurance (formerly the Office of Productivity and Management Improvements) at the beginning of 1990, increasing the staff-years by 8. Total staff years, however, increased by only 6.6 reflecting the reductions generally required in 1990 due to sequestration, Section 517, and other changes, position levels were also revised accordingly. In addition, the responsibilities to publish the Secretary's Management Report, to establish and administer management studies contracts for the Department, to coordinate Administration's responses to Inspector General audits, and to provide analytical and staff support for the Under Secretary, were placed with the Office.

The increase reflected in the estimate for 1991 will directly support implementation of the automation of the Department's forms--reducing costs for distribution preparation processing, inventory and storage, and will support the FTP positions for the full year.

The Office of Management and Quality Assurance serves as a resource for the Office of Administration and for the Department as a whole, and is responsible for:

-- managing the Department's management controls program, in conjunction with the Federal Managers Financial Integrity Act and OMB Circulars A-123 and A-127;

-- managing the Department's productivity and quality improvement program, in conjunction with Executive Order 12637 and OMB Circular A-132;

-- directing and coordinating field performance reviews for the Office of Administration;

-- conducting complex organizational analysis and management studies, usually Departmentwide in scope;

- -- coordinating Administration's responses to Inspector General audits;
- -- managing the Department's employee suggestion program;
- -- managing the Department's forms;
- -- providing analytical and staff support to the Assistant Secretary for Administration and to the Under Secretary;
- -- coordinating HUD's program to evaluate the performance of commercial activities, in conjunction with OMB Circular A-76; and
- -- publishing the Secretary's Bi-Weekly Management Report.

7. INFORMATION POLICIES AND SYSTEMS

The Office of Information Policies and Systems (OIPS) is responsible for managing automated data processing services and certain other functions funded under the Working Capital Fund. Beginning in 1989, all staffing for OIPS was consolidated under the Working Capital Fund, as approved by the Congress during 1988. Prior to 1989, the organizational elements were funded from the Salaries and Expenses, HUD account. A detail description of the responsibilities of this Office is included under the Working Capital Fund of this part of the Justification.

8. OFFICE OF PROCUREMENT AND CONTRACTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Staff-Years:					
Office of the Director	4.0	4.0	4.0	4.0	...
Policy and Evaluation	9.0	9.0	8.0	9.0	+1.0
Administration Support Division	16.0	16.0	14.6	16.5	+1.9
Program Support Division	16.1	19.3	15.3	18.3	+3.0
Total Staff-Years	45.1	48.3	41.9	47.8	+5.9
Total Full-Time Permanent Appointments, End of Year	45	48	34	50	+16

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

The 1991 staffing figures reflect a return and an increase to historical staffing levels prior to staffing reductions recessitated by the appropriation reduction, sequestration, and other repricing changes.

The Office of Procurement and Contracts (OPC) is responsible for the award of contracts, purchase orders, interagency agreements, grants and cooperative agreements to support Headquarters administrative and programmatic needs. OPC develops and implements Departmental policies, standards and procedures to provide for an effective contracting program. The Office also develops Departmental policies to implement all uniform administrative requirements related to Federal assistance and to establish procedures for the award and administration of discretionary grants and cooperative agreements.

The staff requirements for this Office are derived on the basis of projected workload levels. The following material provides a brief discussion of the duties and responsibilities of each division within the Office and examples of office workload.

a. Office of the Director. The Director serves as the principal advisor to the Secretary and other Headquarters officials on acquisition and discretionary assistance matters. The Director is responsible for the development of Departmental acquisition plans and policies, discretionary assistance policy, and for overall supervision, management, and direction of the Office of Procurement and Contracts. The Director is assisted by a Deputy Director who acts for the Director in his absence.

b. Policy and Evaluation Division. This Division is responsible for the development, review and improvement of acquisition practices, policies, and procedures throughout the Department. The Division develops acquisition policy applicable to all contracting activities, and monitors and evaluates the implementation and effectiveness of such policies. The Division also develops Departmental policy and guidance relating to uniform administrative requirements for Federal assistance and the award and administration of discretionary assistance agreements. Other Division responsibilities include development and implementation of training objectives and programs for personnel involved in the contracting process, and the provision of specialized support services to the Office regarding socioeconomic procurement programs, procurement automation and information systems, and audit coordination.

c. Administration Support Division. This Division handles all procurement requirements which directly or indirectly support the administrative operations of the Department. Purchases are made on the open market, as well as against GSA schedule contracts and those of other Federal agencies. Its major responsibilities are the acquisition of ADP hardware, software and services, contracting for management studies to improve Department accounting systems or other administrative processes, and the acquisition of building management services.

d. Program Support Division. This Division awards and administers procurement and assistance agreements for applied research, program evaluations, analytical/statistical studies and reports; the provision of financial assistance to State and local agencies and voluntary groups to support the awareness and enforcement of fair housing laws; technical assistance projects in support of Community Development Block Grant recipients; and financial management services in support of Section 312 rehabilitation loan and FHA programs. The Division provides these services to all Headquarters program offices. It also awards all contracts and agreements in support of the Consolidated Supply Program.

The following table provides actual and estimated workload levels for OPC for 1989, 1990 and 1991:

WORKLOAD ITEM	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Contracts:			
Competitive Basic	54	60	80
Section 8(a) Basic	8	10	12
Noncompetitive Basic	10	8	5
Modifications	564	600	620
Task Orders/Specifications	337	350	375
Administration	872	1,030	1,107
Close-Outs	405	100	200
Consolidated Supply Contracts	178	180	180
Purchase Orders	1,831	1,900	1,900
Assistance Agreements:			
Competitive Basic	163	200	220
Noncompetitive Basic	25	35	45
Modifications	310	350	375
Administration	644	729	744
Close-Outs	282	150	250
Interagency Agreements	93	100	100

9. OFFICE OF BUDGET

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Staff-Years:					
Office of the Director	5.0	5.0	5.0	5.0	...
Program Budget Development Division	21.8	21.3	17.0	20.8	+3.8
Budget Management and Systems Division	13.0	13.0	11.9	13.0	+1.1
Administrative Expenses Division	7.0	9.0	8.0	9.0	+1.0
Total Staff-Years	46.8	48.3	41.9	47.8	+5.9
Full-Time Permanent Appointments, End of Year	45	47	32	50	+18

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

The difference in staffing levels from the 1990 Budget to the 1990 current estimate reflects the net of the Congressional action, the Section 517 reduction and sequestration. The estimate for 1991 reflects a return to the staff levels necessary to provide adequate budget policy and support services.

The Office of Budget advises the Assistant Secretary for Administration, the Secretary, the Under Secretary and other officials of the Department on budget matters, including the budgetary implications of policy and legislative proposals. Budget staff formulate, review, evaluate and make recommendations concerning Departmentwide policies, plans, standards and basic procedures on budget formulation, presentation and execution, including the administrative control of funds. Office staff also coordinate the submission of budget estimates to the Office of Management and Budget and to the Congress. The Office is the principal point of contact with the Congress, the Office of Management and Budget, the Appropriations Committees and other Federal agencies on all budget matters and appropriations hearings.

The Office is also responsible for Departmental management planning processes and systems, the issuance of staff ceilings, and monitoring of staff usage for all Departmental elements.

Major elements of the Office of Budget are: the Office of the Director; the Program Budget Development Division; the Budget Management and Systems Division; and the Administrative Expenses Division. Duties are as follows:

a. Office of the Director. The Director advises the Secretary on all matters relating to budget formulation, presentation and execution, and management planning systems. He serves as advisor to other Department officials with respect to these matters and is responsible for the coordination and direction necessary for the internal operations of the Office of Budget.

b. Program Budget Development Division. This Division has primary responsibility for overall budget functions relating to the Department's grant, loan, insurance, guarantee and other assistance programs. Staff review and evaluate budget submissions and proposals, undertake reviews of operations and evaluate budgetary requirements. The Division also serves as the focal point on budgetary matters with staff of the Assistant Secretaries and other officials, and with the Office of Management and Budget and the Appropriations Committees on matters relating to the preparation and submission of estimates.

c. Budget Management and Systems Division. This Division is responsible for the development and implementation of management and budget systems, including the Management Plan, the Resource Allocation Guidelines System (RAGS) pertaining to staffing, and the Employee Time Reporting System (ETRS) which both allocates resources and provides information necessary for productivity analysis to assure efficient utilization of resources for achieving Department goals and objectives.

d. Administrative Expenses Division. This Division has overall responsibility for the Department's administrative expenses funds. In addition to assuring proper management of these funds, the Division conducts necessary budgetary reviews and prepares periodic analyses of the status of these funds. The formulation and justification of the Assistant Secretary for Administration's portions of the Salaries and Expenses, HUD and the Working Capital Fund budget are prepared by this Division, and assistance is provided in the associated implementation and monitoring of these accounts. The Division is also responsible for issuing staffing ceilings and monitoring staff usage for all elements.

10. EXECUTIVE SECRETARIAT

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year......................	17	17	13	20	+7
Staff-Years......................	20.6	18.3	16.1	18.3	+2.2

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

The difference in staffing levels from the 1990 Budget to the 1990 current estimate reflects Congressional action, the Section 517 reductions sequestration and other pricing changes which required staffing reductions. The 1991 estimate reflects a partial return to historical staffing levels which are necessary to provide adequate service in this area.

The Executive Secretariat serves as the central coordinating office for all correspondence to the Secretary and the Under Secretary, and is responsible for providing the following services:

a. reviewing for assignment of action all incoming official correspondence for the Secretary and the Under Secretary;

b. reviewing all material submitted by Departmental units for the attention of the Secretary and the Under Secretary to ensure completeness and proper coordination;

c. monitoring the Secretary's and Under Secretary's mail for timely responses;

d. reviewing for final clearance all outgoing mail prepared for the signatures of the Secretary and the Under Secretary;

e. ensuring timely and appropriate responses to mail referred to HUD from the White House;

f. maintaining current files on all matters involving the Secretary's and Under Secretary's mail, White House mail, GAO reports, Congressional reports, and Departmental policy, and microfilming of the Secretary's and Under Secretary's records as required by FPMR 101.11.5;

g. disseminating requests for information emanating personally from the Secretary and the Under Secretary to key personnel for action, and monitoring these assignments in order to meet established deadlines;

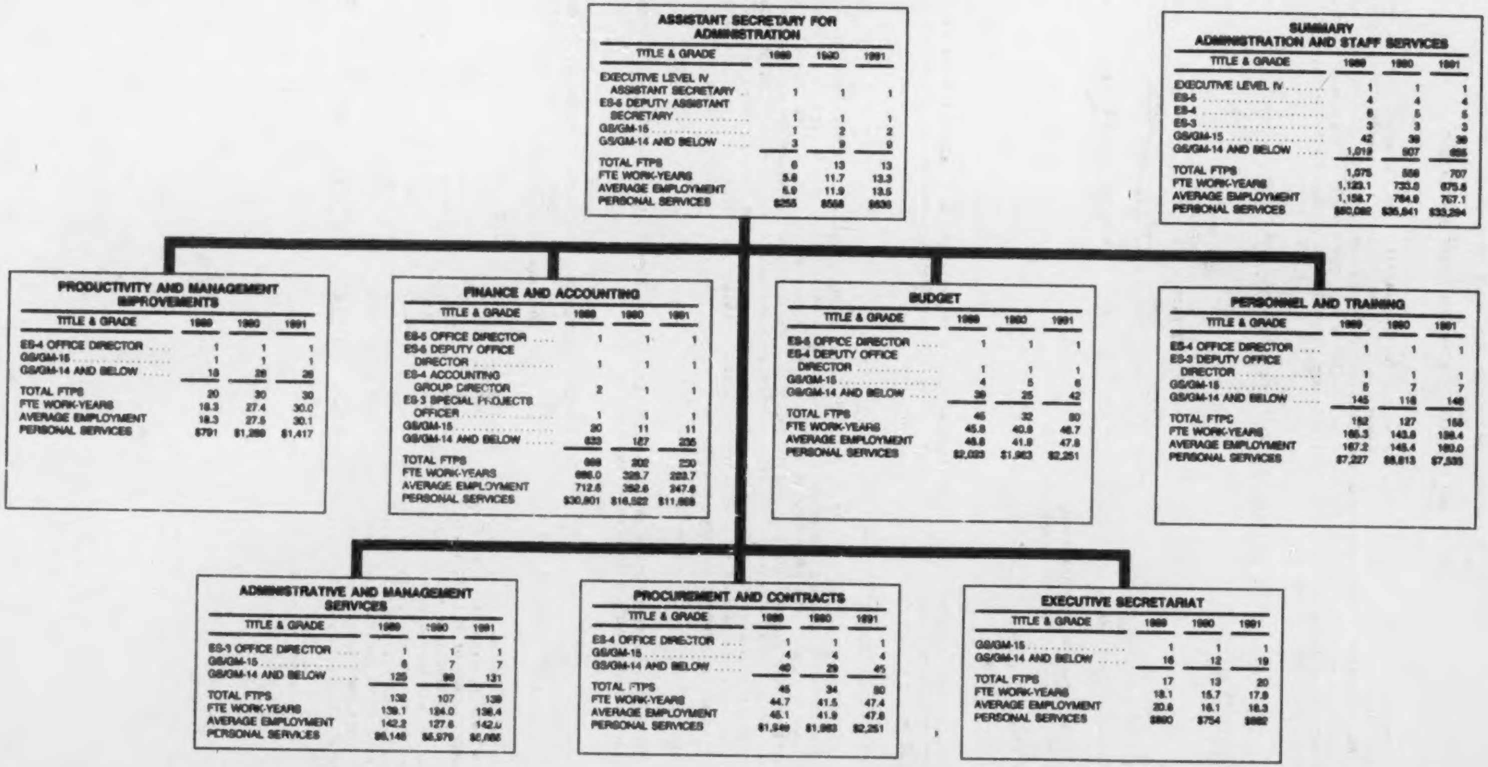
h. providing assistance to program areas by: (1) developing responses of either a programmatic or policy nature in situations where large volumes of identical or similar correspondence is addressed to the Secretary; and (2) preparing the responses for the signature of the Secretary, Under Secretary, Assistant Secretary, or other members of the Department's principal staff as appropriate;

i. tracking and dispatching responses to GAO and Congressional reports; and

j. performing special projects as assigned by the Secretary.

The Executive Secretariat handled over 52,000 pieces of correspondence in 1989.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATION AND STAFF SERVICES
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



ASSISTANT SECRETARY FOR ADMINISTRATION

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV ASSISTANT SECRETARY	1	1	1
ES-6 DEPUTY ASSISTANT SECRETARY	1	1	1
GS/GM-15	1	2	2
GS/GM-14 AND BELOW	3	9	9
TOTAL FTPS	6	13	13
FTE WORK-YEARS	5.8	11.7	13.3
AVERAGE EMPLOYMENT	5.9	11.9	13.5
PERSONAL SERVICES	$255	$558	$636

SUMMARY ADMINISTRATION AND STAFF SERVICES

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV	1	1	1
ES-5	4	4	4
ES-4	6	5	5
ES-3	3	3	3
GS/GM-15	42	39	39
GS/GM-14 AND BELOW	1,019	907	655
TOTAL FTPS	1,075	959	707
FTE WORK-YEARS	1,123.1	733.0	675.8
AVERAGE EMPLOYMENT	1,158.7	764.9	707.1
PERSONAL SERVICES	$60,082	$36,841	$33,294

PRODUCTIVITY AND MANAGEMENT IMPROVEMENTS

TITLE & GRADE	1989	1990	1991
ES-4 OFFICE DIRECTOR	1	1	1
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	18	28	28
TOTAL FTPS	20	30	30
FTE WORK-YEARS	18.3	27.4	30.0
AVERAGE EMPLOYMENT	18.3	27.5	30.1
PERSONAL SERVICES	$791	$1,289	$1,417

FINANCE AND ACCOUNTING

TITLE & GRADE	1989	1990	1991
ES-5 OFFICE DIRECTOR	1	1	1
ES-6 DEPUTY OFFICE DIRECTOR	1	1	1
ES-4 ACCOUNTING GROUP DIRECTOR	2	1	1
ES-3 SPECIAL PROJECTS OFFICER	1	1	1
GS/GM-15	20	11	11
GS/GM-14 AND BELOW	833	187	205
TOTAL FTPS	858	202	220
FTE WORK-YEARS	686.0	325.7	223.7
AVERAGE EMPLOYMENT	712.6	352.6	247.8
PERSONAL SERVICES	$30,801	$16,522	$11,988

BUDGET

TITLE & GRADE	1989	1990	1991
ES-6 OFFICE DIRECTOR	1	1	1
ES-4 DEPUTY OFFICE DIRECTOR	1	1	1
GS/GM-15	4	5	6
GS/GM-14 AND BELOW	39	25	42
TOTAL FTPS	45	32	50
FTE WORK-YEARS	45.8	40.8	46.7
AVERAGE EMPLOYMENT	46.8	41.8	47.8
PERSONAL SERVICES	$2,033	$1,963	$2,251

PERSONNEL AND TRAINING

TITLE & GRADE	1989	1990	1991
ES-4 OFFICE DIRECTOR	1	1	1
ES-3 DEPUTY OFFICE DIRECTOR	1	1	1
GS/GM-15	5	7	7
GS/GM-14 AND BELOW	145	118	146
TOTAL FTPC	152	127	155
FTE WORK-YEARS	165.3	143.6	159.4
AVERAGE EMPLOYMENT	167.2	145.4	160.0
PERSONAL SERVICES	$7,227	$6,813	$7,535

ADMINISTRATIVE AND MANAGEMENT SERVICES

TITLE & GRADE	1989	1990	1991
ES-3 OFFICE DIRECTOR	1	1	1
GS/GM-15	6	7	7
GS/GM-14 AND BELOW	125	99	131
TOTAL FTPS	132	107	139
FTE WORK-YEARS	139.1	134.0	138.4
AVERAGE EMPLOYMENT	142.2	127.6	142.0
PERSONAL SERVICES	$6,146	$5,979	$6,066

PROCUREMENT AND CONTRACTS

TITLE & GRADE	1989	1990	1991
ES-4 OFFICE DIRECTOR	1	1	1
GS/GM-15	4	4	4
GS/GM-14 AND BELOW	40	29	45
TOTAL FTPS	45	34	50
FTE WORK-YEARS	44.7	41.5	47.4
AVERAGE EMPLOYMENT	45.1	41.9	47.8
PERSONAL SERVICES	$1,949	$1,963	$2,251

EXECUTIVE SECRETARIAT

TITLE & GRADE	1989	1990	1991
GS/GM-15	1	1	1
GS/GM-14 AND BELOW	16	12	19
TOTAL FTPS	17	13	20
FTE WORK-YEARS	18.1	15.7	17.9
AVERAGE EMPLOYMENT	20.6	16.1	18.3
PERSONAL SERVICES	$860	$754	$882

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements associated with each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years--1989, 1990 and 1991.

BUDGET ACTIVITY 11: FIELD DIRECTION AND OPERATIONAL SUPPORT

ACTIVITY HIGHLIGHTS

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Total Budget Activity................	$27,349	$27,364	$27,156	$29,535	+$2,379
Full-Time Permanent Appointments, End of Year.........................	522	512	450	495	+45
Full-Time Equivalents................	521.4	520.0	486.1	525.5	+39.4
Staff-Years..........................	530.6	528.0	494.1	533.5	+39.4

NOTE: Full-time Permanent (FTP) figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers, and the actual figures will depend on conditions at the end of the year.

SUMMARY OF BUDGET REQUEST

The funding request for 1991 is $29,535 thousand, an increase of $2,379 thousand to the 1990 level of $27,156 thousand. A staffing level of 533.5 staff-years is proposed, an increase of 39.4 staff-years to the 1990 current estimate. The higher staffing level and related costs are consistent with program levels proposed for 1991. The increase represents a restoration to the 1990 staffing level enacted by the Congress prior to sequestration and other funding reductions that resulted in staffing cuts because the appropriation could not support those levels. The increase will enable FDOS to provide for adequate oversight of program execution, as well as labor relations support and economic analysis in both Regional and Field Offices.

FUNDING

The following table shows the actual obligations, by object class, for 1989 and estimated obligations for 1990 and 1991 for this activity.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Personal Services....................	$25,393	$24,818	$24,829	$26,811	+$1,982
Travel and Transportation of Persons.	947	936	851	941	+90
Transportation of Things.............	34	43	40	37	-3
Rent, Communications and Utilities...	283	318	316	308	-8
Printing and Reproduction............	95	118	117	119	+2
Other Services.......................	215	413	360	339	-21
Supplies and Materials...............	226	245	256	255	-1
Furniture and Equipment..............	155	470	384	722	+338
Insurance and Indemnities............	1	3	3	3	...
Total...........................	27,349	27,364	27,156	29,535	+$2,379

Salaries and Expenses, HUD
Budget Activity 11: Field Direction and Operational Support

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $27,349 thousand were $294 thousand less than the previous estimate of $27,643 thousand. The lower than anticipated obligations consist of a decrease of $525 thousand for support costs, partially offset by an increase of $231 thousand for personal services costs. The decrease in support costs is primarily due to less than anticipated obligations for furniture and equipment procurement.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget Estimate	$27,364
Add revised estimate for personal services costs	+11
Less revised estimate for support costs	-219
Current 1990 estimate	$27,156

The difference in staffing and funding levels from the Budget to the 1990 current estimate reflects the net of Congressional action, the Section 517 reduction, sequestration and other repricing changes. Funding changes are as follows:

-- an increase of $11 thousand for personal services which is the net of increasing salaries and benefits costs, including the January 1990 general pay raise, almost entirely offset by the 33.9 staff-year reduction; and

-- a decrease of $219 thousand for support costs on the basis of more recent cost and requirements information, principally for transportation of things and for furniture and equipment procurement.

3. ANALYSIS OF INCREASES AND DECREASES

	1990 (Dollars in Thousands)	1991
Prior year obligations	$27,349	$27,156
Changes to staffing level	-1,747	+1,980
Fiscal year 1990 general pay raise	+693	+179
Fiscal year 1991 general pay raise	...	+344
Fiscal year 1991 Executive pay raise	...	+157
Rising average salaries and benefits costs	+490	...
Budgeted reduction in average cost per staff-year	...	-678
Changes in furniture and equipment costs	+229	+338
Changes in other support costs	+142	+59
Total obligations	$27,156	$29,535

There are net increases of $564 thousand and $1,982 thousand for personal services in 1990 and 1991, respectively. The changes reflect the following:

-- the 36.5 staff-year decrease during 1990 results in a funding decrease of $1,747 thousand, and the proposed 39.4 staff-year increase for 1991 results in a funding increase of $1,980 thousand;

-- the general pay raise which became effective during January 1990 is estimated to require an increment of $693 thousand during 1990 and a further increment of $179 thousand during 1991;

-- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $344 thousand shown would cover a portion of the total requirement;

- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $157 thousand shown would cover a portion of this requirement;

- rising average salaries and benefits costs will require an additional $490 thousand in 1990;

- a budgeted reduction of $678 thousand in the average cost per staff-year in 1991 reflects the requirements to absorb pay raises and other personal services increases;

There are net increases of $371 thousand and $397 thousand for non-personal services in 1990 and 1991, respectively. The changes reflect the following:

- changes in furniture and equipment costs to support office automation initiatives reflect increases of $229 thousand and $338 thousand for 1990 and 1991, respectively; and

- changes to all other non-personal services costs, such as supplies, printing, and equipment maintenance, result in net increases of $142 thousand and $59 thousand for 1990 and 1991, respectively.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Field Direction and Operational Support activity funds staff which direct and manage the Department's Field programs and provide cross-program technical support in the area of economic market analysis and labor relations. Specifically, the Field Direction function includes the staff required for the direction and overall administration of the Department's Field programs and activities in accordance with delegated authority and with policy and other directives of the Secretary or principal officials. Operational Support includes three functions: Regional program analysis, economic market analysis (EMA), and labor relations. EMA and labor relations directly support Housing and Community Planning and Development workload processing.

2. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year..........................	522	512	450	495	+45
Staff-Years..........................	530.6	528.0	494.1	533.5	+39.4

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel..........................	484.0	486.1	480.2
Temporary and Part-Time Employees..........................	40.5	0.4	45.7
Overtime..........................	2.2	1.1	1.1
Terminal Leave..........................	3.9	6.5	6.5
Total Staff-Years..........................	530.6	494.1	533.5

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of this part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment and special employment programs, which include employment of the handicapped, Vietnam veterans, and summer college students.

Salaries and Expenses, HUD
Budget Activity 11: Field Direction and Operational Support

EXPLANATION OF STAFFING REQUIREMENTS

The following two tables indicate the distribution of full-time permanent appointments and staff-years between the Regional and Field Offices by their basic functions.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
FIELD DIRECTION:					
Regional Offices....................	78	77	68	77	+9
Field Offices.......................	176	172	152	172	+20
Subtotal...........................	254	249	220	249	+29
OPERATIONAL SUPPORT:					
Regional Offices....................	145	142	129	138	+9
Field Offices.......................	123	121	101	108	+7
Subtotal...........................	268	263	230	246	+16
SUMMARY:					
Regional Offices....................	223	219	197	215	+18
Field Offices.......................	299	293	253	280	+27
Total Full-Time Permanent Appointments, End of Year........	522	512	450	495	+45

NOTE: Full-time permanent (FTP) figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers, and the actual figures will depend on conditions at the end of the year.

	STAFF YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
FIELD DIRECTION:					
Regional Offices....................	81.9	79.4	74.7	83.0	+8.3
Field Offices.......................	176.2	177.4	166.9	185.4	+18.5
Subtotal...........................	258.1	256.8	241.6	268.4	+26.8
OPERATIONAL SUPPORT:					
Regional Offices....................	149.4	146.4	141.6	148.7	+7.1
Field Offices.......................	123.1	124.8	110.9	116.4	+5.5
Subtotal...........................	272.5	271.2	252.5	265.1	+12.6
SUMMARY:					
Regional Offices....................	231.3	225.8	216.3	231.7	+15.4
Field Offices.......................	299.3	302.2	277.8	301.8	+24.0
Total Staff-Years.................	530.6	528.0	494.1	533.5	+39.4

Salaries and Expenses, HUD
Budget Activity 11: Field Direction and Operational Support

1. REGIONAL OFFICES

a. FIELD DIRECTION STAFF

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year	78	77	68	77	+9
Staff-Years	81.9	79.4	74.7	83.0	+8.3

The staffing increase in 1991 represents a restoration to the 1990 staffing level enacted by the Congress prior to sequestration and other funding reductions that resulted in staffing cuts because the appropriation could not support those levels.

The Regional Administrator is responsible to the Secretary for administering, within the defined geographic boundaries of the Region, all of the Department's programs and activities in accordance with the program directions of, and subject to delegations of authority from, the Secretary and/or responsible Assistant Secretaries.

Other duties of the Regional Administrator include: coordinating with the related program activities of other Federal departments and agencies having jurisdiction within the same Region; coordinating HUD's activities with State governments within the Region, and serving as the Department's principal Field liaison with governors and other State officials; planning, managing and directing the operation of the Regional Office, supervising other Regional Office officials; providing overall management supervision and direction to Field offices; and monitoring and evaluating Field office performance.

The Regional Administrator is assisted in carrying out these functions by a Deputy Regional Administrator and a small staff of secretaries and specialist aides. These include a Public Affairs Officer, who is responsible for Regionwide public affairs services, and two special assistants.

A typical staffing pattern for the Office of Regional Administrator is as follows:

Position	Number
Regional Administrator	1
Deputy Regional Administrator	1
Special Assistants	2
Public Affairs Officer	1
Clerical Support	3
Total	8

b. OPERATIONAL SUPPORT STAFF

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year	145	142	129	138	+9
Staff-Years	149.4	146.4	141.6	148.7	+7.1

The staffing increase in 1991 represents a restoration to the 1990 staffing level enacted by the Congress prior to sequestration and other funding reductions that resulted in staffing cuts because the appropriation could not support those levels.

Salaries and Expenses, HUD
Budget Activity 11: Field Direction and Operational Support

Each Regional Office has a Regional Economist who supervises a staff of economists performing all Field office EMA functions and who serves as the principal advisor to the Regional Administrator on economic matters and market analysis aspects of the Department's housing and CPD programs. Additionally, the Regional Economist provides economic intelligence and analysis to the Regional Administrator and Headquarters on the condition of the entire Regional economy and separate local markets within the Region. The Regional Economist also provides conformity with program standards of Field office economists' performance through monitoring and evaluation efforts.

The Regional Labor Relations Officer and staff have, on behalf of the Regional Administrator, primary responsibility for monitoring and evaluating management of labor relations and labor standards enforcement in the Field offices as well as providing technical guidance and direction. Additionally, the Regional Labor Relations Officer represents the Regional Administrator on matters of labor relations and labor standards with other Government agencies and outside groups, including maintaining liaison with organized labor, particularly the building and construction trades, and contractor associations. The Officer also provides appeal authority and management review of Field office decisions arising under Title II, Section 12 of the Housing and Community Development Act of 1974.

The Program Planning and Evaluation Staff has primary responsibility for coordinating onsite management performance evaluation of Field offices and conducting special studies for the Regional Administrator on management and programmatic issues.

A typical staffing pattern for the Regional Office Operational Support staff is as follows:

Position	Number
Regional Economist and Staff Economists...	4 (5 in large Regional Offices)
Labor Relations Officer and Staff.........	4 (6 in large Regional Offices)
Program Analysts..........................	2
Clerical Support..........................	0 (1 in large Regional Offices)
Total....................................	10

2. FIELD OFFICES

a. FIELD DIRECTION STAFF

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year..........................	176	172	152	172	+20
Staff-Years...........................	176.2	177.4	166.9	185.4	+18.5

The staffing increase in 1991 represents a restoration to the 1990 staffing level enacted by the Congress prior to sequestration and other funding reductions that resulted in staffing cuts because the appropriation could not support those levels.

The Field Office Manager is responsible to the Regional Administrator for administering, within a defined geographic area, all of the Department's programs assigned to the Field office. These may include mortgage insurance and assisted housing programs, housing management, community planning and development, and other programs of the Department.

The Field Office Manager is responsible for administering HUD program fund assignments made by the program Assistant Secretaries (and reallocations made by Regional Administrators) in a manner designed to implement and expedite program and production goals to assure interprogram coordination.

Salaries and Expenses, HUD
Budget Activity 11: Field Direction and Operational Support

The Field Office Manager is assisted in carrying out these functions by a Deputy, a Special Assistant, and clerical support staff. A typical staffing pattern for the Office of Field Manager is as follows:

Position	Number
Field Office Manager	1
Deputy	1
Special Assistant	1
Clerical Support	3
Total	6

b. OPERATIONAL SUPPORT STAFF

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year	123	121	101	108	+7
Staff-Years	123.1	124.8	110.9	116.4	+5.5

The staffing increase in 1991 represents a restoration to the 1990 staffing level enacted by the Congress prior to sequestration and other funding reductions that resulted in staffing cuts because the appropriation could not support those levels.

The Field Office Labor Relations staff is responsible to the Field Office Manager for ensuring the proper and uniform administration and enforcement of construction labor standards pertinent to all HUD programs within the office jurisdiction and for advising the Field Manager on labor relations matters. Specific functions of a Labor Relations staff include: wage requirements processing, conducting labor standards investigations and compliance reviews, determining maintenance wage rates for public housing agencies, providing technical assistance and guidance to local public agencies on labor standards/labor relations matters, promoting employment and training opportunity for the disadvantaged in HUD programs, preparing recommendations for sanctions against labor standards violations, and supervising the conduct of Davis-Bacon residential wage surveys.

The Field Office Economist supervising the Economic and Market Analysis (EMA) staff is the principal economic advisor to the Field Office Director. Depending on workload requirements, EMA staffs in the various Field offices generally range from two to five professional economists and statistical assistants. EMA provides critical economic and market analysis reviews of all major housing and CPD program applications. As a result of these cross-program responsibilities, EMA plays a key role in coordinating Field office program delivery efforts. For example, EMA review activities provide for integration of Housing Assistance Plans (HAPs) prepared in conjunction with the Community Development Block Grant Program, the distribution of assisted housing funds, and review of assisted housing development applications.

Among its specific functions, EMA is responsible for conducting market analyses of assisted and unassisted housing proposals, reviewing Urban Development Action Grant (UDAG) and other economic development program applications, reviewing HAPs, reviewing Fair Market Rent modifications, establishing income limits for assisted housing programs, and coordinating Field office housing assistance allocation planning efforts. In order to support these activities and other office needs, EMA also undertakes various comprehensive or special impact studies.

A typical staffing pattern for the Field Office Operational Support staff is as follows:

Position	Number
Labor Relations Specialist	1 (2 in large Field offices)
Wage Requirements Assistants	1 (2 in large Field offices)
Field Economists	2 (3 in large Field offices)
Clerical Support	1
Total	5

The following table provides a functional distribution of staff consistent with the anticipated workload for selected categories.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FIELD DIRECTION AND OPERATIONAL SUPPORT

Detail of Field Staffing

		1989			1990			1991		
RESOURCE ALLOCATION GUIDELINES	INDICATOR	ACTUAL ACCOMPLISHMENT	ACTUAL UNIT HRS.	STAFF-YEARS	PROJECTED ACCOMPLISHMENT	PROJECTED UNIT HRS.	STAFF-YEARS	PROJECTED ACCOMPLISHMENT	PROJECTED UNIT HRS.	STAFF-YEARS
Field Direction..........	N/A	N/A	N/A	245.0	N/A	N/A	241.6	N/A	N/A	268.4
Other Support (incl. Prog. Plan. and Eval)...	N/A	N/A	N/A	95.6	N/A	N/A	66.9	N/A	N/A	79.5
Economic and Market Analysis:										
Market Analysis—Housing..............	MF Apps.	2,400	57.11	65.9	2,092	62.14	62.5	2,092	62.14	62.5
Market Analysis—CPD..	Apps.	2,995	8.89	12.8	3,232	9.40	14.6	3,232	9.40	14.6
Labor Relations:										
Compliance Reviews.....	Payrolls	213,732	.33	34.3	134,476	.42	26.9	134,476	.42	26.9
Wage Rate Determinations........	Transmittals	19,673	2.50	23.7	15,892	3.42	26.1	15,892	3.42	26.1
Complaints Processed...	Complaints	1,020	8.97	4.4	728	14.57	5.1	728	14.57	5.1
On-Site Monitoring.....	Visits	1,034	20.12	10.0	676	22.15	7.2	676	22.15	7.2
Labor Stds. Admin......	Sessions	3,385	21.51	35.0	2,104	36.28	36.7	2,104	36.28	36.7
Terminal Leave.........				3.9			6.5			6.5
Total..........				530.6			494.1			533.5

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD DIRECTION AND OPERATIONAL SUPPORT
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

OFFICE OF THE REGIONAL ADMINISTRATOR

TITLE & GRADE	1989	1990	1991
REGIONAL ADMINISTRATOR			
ES-5	4	4	4
ES-4	1	1	1
ES-3	4	4	4
ES-1	1	1	1
DEPUTY REGIONAL ADMINISTRATOR			
ES-6	1	1	1
ES-4	6	6	6
ES-2	2	2	2
GS/GM-15	27	27	27
GS/GM-14 AND BELOW	177	151	169
TOTAL FTPS	223	197	215
FTE WORK-YEARS	230.0	212.8	223.8
AVERAGE EMPLOYMENT	231.3	216.3	231.7
PERSONAL SERVICES	$10,847	$10,869	$11,646

OFFICE OF THE FIELD OFFICE MANAGER

TITLE & GRADE	1989	1990	1991
FIELD OFFICE MANAGER			
ES-4	3	3	3
ES-3	3	3	3
ES-2	4	4	4
GS/GM-15	36	36	36
GS/GM-14 AND BELOW	253	207	234
TOTAL FTPS	299	253	280
FTE WORK-YEARS	291.4	273.3	301.7
AVERAGE EMPLOYMENT	299.3	277.8	301.8
PERSONAL SERVICES	$14,546	$13,960	$15,165

SUMMARY FIELD DIRECTION AND OPERATIONAL SUPPORT

TITLE & GRADE	1989	1990	1991
ES-6	1	1	1
ES-5	4	4	4
ES-4	10	10	10
ES-3	7	7	7
ES-2	6	6	6
ES-1	1	1	1
GS/GM-15	63	63	63
GS/GM-14 AND BELOW	430	358	403
TOTAL FTPS	522	450	495
FTE WORK-YEARS	521.4	486.1	525.5
AVERAGE EMPLOYMENT	530.6	494.1	533.5
PERSONAL SERVICES	$25,393	$24,829	$26,811

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown later in this part of the Justifications. However, in order to present in sequence the specific staffing and administrative expense requirements for each of the major program areas of the Department, a separate section dealing with "Salaries and Expenses, HUD" has been included under each section of the Justifications. All data are presented on a comparable basis for the 3 fiscal years--1989, 1990 and 1991.

BUDGET ACTIVITY 12: FIELD ADMINISTRATION

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Total Budget Activity................	$73,612	$76,444	$78,037	$82,996	+$4,959
Full-Time Permanent Appointments, End of Year.........................	824	839	860	880	+20
Full-Time Equivalents................	878.4	850.0	862.5	898.0	+35.5
Staff-Years..........................	900.2	871.6	884.1	919.6	+35.5

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The funding request for 1991 is $82,996 thousand, an increase of $4,959 thousand to the 1990 level of $78,037 thousand. Staffing levels of 880 full-time permanent (FTP) positions and 919.6 staff-years are proposed. These levels are increases of 20 FTP positions and 35.5 staff-years to the 1990 current estimates. The staff increase is consistent with the increased level of Field staff to be supported.

The funding increase reflects increases of $1,217 thousand for personal services and $3,742 for support costs. The increase for personal services costs is primarily due to the staff-year increase. The increase for other costs is principally for space rental, the Federal Telecommunications Systems (FTS), and furniture and equipment costs.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Field Administration

FUNDING

The following table shows the actual obligations for 1989 and estimated obligations for 1990 and 1991 for this activity by object class:

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Personal Services....................	$29,317	$28,658	$30,232	$31,449	+$1,217
Travel and Transportation of Persons	631	625	566	628	+62
Transportation of Things............	54	38	43	40	-3
Rent, Communications and Utilities..	41,196	44,822	44,947	48,270	+3,323
(GSA Space Rental)................	(29,095)	(31,238)	(32,027)	(35,345)	(+3,318)
(FTS)...............................	(6,432)	(6,668)	(6,434)	(6,896)	(+462)
(Postal Services).................	(4,799)	(5,229)	(4,879)	(4,483)	(-396)
(All Other)........................	(870)	(1,687)	(1,607)	(1,546)	(-61)
Printing and Reproduction...........	245	259	296	303	+7
Other Services......................	1,462	1,081	1,081	1,127	+46
Supplies and Materials..............	386	510	530	533	+3
Furniture and Equipment.............	318	450	341	645	+304
Insurance and Indemnities...........	3	1	1	1	...
Total...............................	73,612	76,444	78,037	82,996	4,959

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $73,612 thousand were $2,035 thousand less than the $75,647 thousand previously estimated. The lower than anticipated obligations consisted of an increase of $344 thousand for personal services offset by a decrease of $2,379 thousand for support costs. The personal services increase was primarily due to the use of 22.8 staff-years more than estimated. The support costs decrease was principally due to lower than estimated costs for space rental, Federal Telecommunications System (FTS), and equipment rental.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget estimate..	$76,444
Add revised estimate for personal services costs..........................	+1,574
Add revised estimates for support costs....................................	+19
Current 1990 estimate..	78,037

The changes to the funding requirements for 1990 are the result of the following:

-- an increase of $1,574 thousand for personal services costs, which is the result of increases of $844 thousand required for the pay increase that became effective during January 1990, and $730 thousand based on more recent salaries and benefits data and the proposed use of an additional 12.5 staff-years submitted in the Department's operating plan; and

-- a net increase of $19 thousand for support costs on the basis of more recent costs and requirements information.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Field Administration

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$73,612	$78,037
Changes to staffing levels	-524	+1,214
Fiscal year 1990 pay raise	+844	+210
Fiscal year 1991 pay raise	...	+427
Rising average salaries and benefits costs	+595	...
Budgeted reduction in average cost per staff-year	...	-634
Changes in major payments to other Federal agencies:		
Office space rental payment to GSA	+2,932	+3,318
Federal Telecommunications System payment to GSA	+2	+462
Postal services payment to the U.S. Postal Service	+80	-396
Changes in communications costs	+690	-69
Changes in training/enrollment costs	-138	+56
Changes in cost of space alterations	-351	+10
Changes in cost of equipment maintenance	+133	+1
Changes in cost of supplies	+144	+3
Changes in cost of furniture and equipment	+23	+304
Other changes in support costs	-5	+53
Total obligations	78,037	82,996

There are net increases of $915 thousand and $1,217 thousand for personal services costs in 1990 and 1991, respectively. The changes reflect the following:

-- a decrease of 16.1 staff-years results in a decrease of $524 thousand in 1990 and the proposed increase of 35.5 staff-years in 1991 results in an increase of $1,214 thousand;

-- the pay raise which became effective at the beginning of January 1990 is estimated to require an increment of $844 thousand during 1990, and a further increment of $210 thousand in 1991;

-- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $427 thousand shown would cover a portion of the total requirement;

-- rising average salaries and benefits costs will require an additional $595 thousand in 1990; and

-- a budgeted reduction of $634 thousand in the average cost per staff-year in 1991 reflects the requirements to absorb pay raises and other personal services increases.

There are net increases in non-personal services costs of $3,510 thousand in 1990 and $3,742 thousand in 1991. The changes reflect the following:

-- changes in major payments made to other Federal agencies are as follows:

	SPACE RENTAL	FEDERAL TELECOMMUNICATIONS SYSTEM	POSTAL SERVICES
		(Dollars in Thousands)	
1989	$29,095	$6,432	$4,799
Change	+2,932	+2	+80
1990	32,027	6,434	4,879
Change	+3,318	+462	-396
1991	35,345	6,896	4,483

- space rental funding is based upon estimates provided by the General Services Administration (GSA), which is reimbursed for such costs. The increases of $2,932 thousand in 1990 and $3,318 thousand in 1991 reflect cost estimates received from the GSA;

- estimates provided by the GSA indicate that the cost of utilizing the Federal Telecommunications System (FTS) will increase $2 thousand in 1990 and $462 thousand in 1991; and

- reimbursements to the U.S. Postal Service are estimated to increase $80 thousand in 1990 and decrease $396 thousand in 1991;

-- other communications costs are estimated to increase $690 thousand in 1990 and decrease $69 thousand in 1991. The increase in 1990 reflects the greater use of automated mail, as well as anticipated increases to the cost of courier services;

-- the cost of training enrollments are estimated to decrease $138 thousand in 1990 and increase $56 thousand in 1990. The 1990 decrease primarily reflects the lower staff levels in 1990 and the increase in 1991 primarily reflects the overall higher staffing levels to be supported;

-- the cost of space alterations are estimated to decrease $351 thousand in 1990 and increase $10 thousand in 1991. The decrease in 1990 is primarily due to the relocations of two Regional Offices (Seattle and San Francisco) not taking place in 1990 as originally planned;

-- the cost of equipment maintenance is estimated to increase $133 thousand in 1990 and remain essentially level in 1991. The higher levels primarily reflect a larger inventory of HUD-owned equipment;

-- the cost of supplies are estimated to increase $144 thousand in 1990 and $3 thousand in 1991. The increase in 1990 is principally to support the increased use of microcomputers and word processors and is maintained at almost that level during 1991;

-- the cost of furniture and equipment to support office automation initiatives reflects increases of $23 thousand and $304 thousand in 1990 and 1991 respectively. The 1991 increase also will provide for some systems furniture to accommodate personal computers and staff in Regional and Field offices; and

-- changes for all other items such as travel and printing result in a net decrease of $5 thousand in 1990 and a net increase of $53 thousand in 1991.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

Field Administration staff are responsible for all administrative functions in the Department's Regional and Field Offices. Most duties performed--such as accounting, personnel, contracting and administrative services--provide direct and essential daily support to program operations. Field Administration staff also help program managers conduct their work responsibly and effectively by providing management and budget services, operational planning and monitoring, and management information services, including reports, statistics and automated data processing (ADP) services.

2. WORKLOAD

The workload undertaken by Field Administration staff includes basic activities such as mail delivery and maintenance of inventories of forms and issuances, processing actions to obligate funds, reviewing and paying project accounting vouchers, and processing personnel and procurement transactions. It also includes more complex activities, such as the conduct of management and financial analyses in support of significant decisions by Regional officials and coordination of the Regionwide administrative functions in support of program accomplishment.

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year................................	824	839	860	880	+20
Staff-Years................................	900.2	871.6	884.1	919.6	+35.5

The current estimates for 1990 reflect increases to the Budget estimate of 21 positions and 12.5 staff-years. These increases reflect principally the Department's increased emphasis on Regional accounting and procurement activities and reflect the proposal in the Department's operating plan. The 1991 increases of 20 FTPs and 35.5 staff-years are consistent with the overall increased staffing levels to be supported in the Field.

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel..............	828.8	848.1	873.4
Temporary and Part-Time Employees..........	56.2	20.5	30.7
Overtime....................................	13.0	9.0	9.0
Terminal Leave..............................	2.2	6.5	6.5
Total Staff-Years........................	900.2	884.1	919.6

A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another section of this part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary, and intermittent employment; and special employment programs, which include employment of the handicapped, Vietnam veterans and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

The Department has developed and implemented a productivity-based system for establishing Field staffing levels, the Resource Allocation Guidelines System (RAGS). For this activity, the guidelines differ by type of function performed. For example, accounting staff is determined by the number of documents processed, personnel staff by the number of Field staff supported, and management staff on the basis of local allowances. The staffing allowances reflect the current best estimates for the functions based upon a combination of previously established work measurement standards and consideration of ongoing procedural and organizational changes designed to more efficiently use staff resources. The following two tables summarize the actual 1989 and estimated 1990 and 1991 full-time permanent staff and staff-years by function in the Regional and Field offices. The tables are followed by brief descriptions of the individual functions.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Field Administration

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Regional Offices:					
General Direction	22	20	24	20	-4
Accounting Services	194	201	209	209	...
Personnel Services	165	152	161	161	...
Administrative Services	96	92	96	96	...
Management Information Services	83	81	83	83	...
Management and Budget Services	52	57	54	57	+3
Contracting Services	8	8	20	20	...
Subtotal	620	611	647	646	-1
Field Offices:					
General Direction	48	60	51	60	+9
Personnel Services	21	16	21	21	...
Administrative Services	77	74	77	77	...
Management Information Services	43	61	49	59	+10
Management and Budget Services	15	17	15	17	+2
Subtotal	204	228	213	234	+21
SUMMARY:					
General Direction	70	80	75	80	+5
Accounting Services	194	201	209	209	...
Personnel Services	186	168	182	182	...
Administrative Services	173	166	173	173	...
Management Information Services	126	142	132	142	+10
Management and Budget Services	67	74	69	74	+5
Contracting Services	8	8	20	20	...
Total Full-Time Permanent Appointments, End of Year	824	839	860	880	+20

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Field Administration

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Regional Offices:					
General Direction	24.9	20.7	24.6	26.4	+1.8
Accounting Services	205.8	206.7	213.4	216.6	+3.2
Personnel Services	177.8	155.4	164.5	162.9	-1.6
Administrative Services	107.5	97.8	98.2	105.9	+7.7
Management Information Services	90.2	84.5	85.1	85.1	...
Management and Budget Services	57.7	56.2	54.8	58.4	+3.6
Contracting Services	10.0	10.0	20.0	20.0	...
Subtotal	673.9	631.3	660.6	675.3	+14.7
Field Offices:					
General Direction	53.1	61.9	52.4	56.2	+3.8
Personnel Services	23.0	16.1	21.3	21.1	-0.2
Administrative Services	85.8	78.6	78.4	84.6	+6.2
Management Information Services	46.1	60.2	49.6	59.6	+10.0
Management and Budget Services	16.1	17.0	15.3	16.3	+1.0
Subtotal	224.1	233.8	217.0	237.8	+20.8
SUMMARY:					
General Direction	78.0	82.6	77.0	82.6	+5.6
Accounting Services	205.8	206.7	213.4	216.6	+3.2
Personnel Services	200.8	171.5	185.8	184.0	-1.8
Administrative Services	193.3	176.4	176.6	190.5	+13.9
Management Information Services	136.3	144.7	134.7	144.7	+10.0
Management and Budget Services	73.8	73.2	70.1	74.7	+4.6
Contracting Services	10.0	10.0	20.0	20.0	...
Subtotal	898.0	865.1	877.6	913.1	+35.5
Terminal Leave	2.2	6.5	6.5	6.5	...
Total Staff-Years	900.2	871.6	884.1	919.6	+35.5

The following table summarizes actual 1989 RAGS data and the estimates for 1990 and 1991. The data indicate the work units measured, the hours required per unit, and the staff-year requirements derived from those factors.

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Field Administration

RESOURCE ALLOCATION GUIDELINES	INDICATOR (WORK UNIT)	FISCAL YEAR 1989			FISCAL YEAR 1990			FISCAL YEAR 1991		
		ACTUAL ACCOMPLISH-MENT	ACTUAL UNIT COST (Hrs/Units)	STAFF YEARS	ACTUAL ACCOMPLISH-MENT	ACTUAL UNIT COST (Hrs/Units)	STAFF YEARS	ACTUAL ACCOMPLISH-MENT	ACTUAL UNIT COST (Hrs/Units)	STAFF YEARS
Accounting..............	Trans. Proc.	893,300	0.51	205.8	870,300	.51	213.4	887,000	0.51	216.6
Personnel...............	Staff Served*	10,170	41.07	200.8	10,075	38.36	185.8	10,730	35.81	184.0
Admin. Services.........	Staff Served*	10,170	39.53	193.3	10,075	36.46	176.6	10,730	37.07	190.5
Information Services										
Info. Tech. Mgmt......	Staff Served	9,782	6.42	30.2	9,693	6.39	29.8	10,320	6.41	31.7
Ofc. Info. Sys. Supp..	Computers/Lans	2,360	19.30	21.9	2,896	15.51	21.6	5,600	8.35	22.4
Computer Op. Supp.....	Devices	3,102	18.71	27.9	3,310	17.03	27.6	3,600	17.34	29.9
Info. Tech. Trng......	Hours Trained	60,828	.26	7.7	86,750	.18	7.7	86,750	0.19	8.0
Auto. Tech. Adm. Supp.	Computers/Lans	2,360	42.83	48.6	3,599	27.74	48.0	5,600	19.65	52.7
Info. Services Subtotal				136.3			134.7			144.7
Mgmt. & Budget..........	Staff Served	9,782	15.69	73.8	9,693	15.04	70.1	10,320	15.11	74.7
Contracting a/..........	--	--	--	10.0	--	--	20.0	--	--	20.0
General Direction a/....	--	--	--	78.0	--	--	77.0	--	--	82.6
Terminal Leave..........	--	--	--	2.2	--	--	6.5	--	--	6.5
Total................	--	--	--	900.2			884.1			919.6

a/ Staff provided on the basis of specific allowances.

* Includes OIG staff

Salaries and Expenses, Housing and Urban Development
Budget Activity 12: Field Administration

1. General Direction

	ACTUAL 1989	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year.............................	70	75	80	+5
Staff-Years.............................	78.0	77.0	82.6	+5.6

The General Direction function consists of the immediate offices of the Regional Directors of Administration and the Directors of Administration and their immediate staff in those Field offices of sufficient size to warrant such positions. The Directors are responsible for the direction, coordination and monitoring of administrative activities in their locales. The Regional Directors of Administration are also responsible for overall supervision of such activities throughout the Region and for advising the Regional Administrator on matters of administrative management and policies.

Increases of five FTP positions and 5.6 staff-years are proposed for 1991. These increases represent a restoration to the 1990 staffing level enacted by the Congress prior to sequestration and other funding reductions that resulted in staffing cuts because the appropriation could not support that level. These staffing levels also are consistent with proposed program staffing in the Field.

2. Accounting Services

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year.............................	194	209	209	...
Staff-Years.............................	205.8	213.4	216.6	+3.2

The Regional accounting function is conducted exclusively at the Regional office level; there are no accounting staff in the Field Offices. The staff provide accounting support to all program and administrative activities, except mortgage insurance programs. They are responsible for processing all travel vouchers and other administrative payments for the Region, maintaining the Department's accounts in the Region, preparing numerous reports and analyses that reflect program and budgetary performance and needs, and providing advice and assistance to local agencies on all accounting requirements relating to HUD programs.

The proposed increase of 7.6 staff-years and 15 FTP positions in 1990, as compared to 1989 actual usage, as well as the additional staff-years estimated for 1991, reflect the emphasis being placed on improved and more accurate accounting operations.

3. Personnel Services

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year.............................	186	182	182	...
Staff-Years.............................	200.8	185.8	184.0	-1.8

The personnel support function consists of standard personnel services, such as processing merit staffing actions, classification, training, employee counseling and management advisory services. These services are conducted principally at the Regional level, but staff are provided to Field Offices in those cases where sufficient staffing levels merit on-site support. Responsibilities of the Regional staff include providing guidance and support to the staff in the Field Offices, as well as monitoring their activities.

The reduction of 15.0 staff-years in 1990, as compared to 1989 actual usage, as well as the further reduction of 1.8 staff-years in 1991, reflects an effort to return to a standard ratio of personnel staff to total staff-years. These levels are higher than the 1990 Budget, however, for they represent an effort to expand training in support of improved management efforts.

4. Administrative Services

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments,				
End of Year............................	173	173	173	...
Staff-Years............................	193.3	176.6	190.5	+13.9

Administrative services consist of a wide variety of support activities including mail handling, communication services, space management, inventory controls, printing support, and property and paperwork management. Staff are assigned to both Regional and Field Offices, with policy guidance and management provided by staff at the Regional level.

The 16.7 staff-year reduction from the actual use in 1989 is because of sequestration and other funding reductions which resulted in an appropriation that could not support that staffing level. The increase of 13.9 staff-years in 1991 would bring the level of staffing back to a level that could be afforded before the 1990 funding cuts were made.

5. Management Information Services

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments,				
End of Year............................	126	132	142	+10
Staff-Years............................	136.3	134.7	144.7	+10.0

Management information services are principally related to automated data processing. The services consist of data management, reporting and information services, developing local systems, and providing monitoring and technical assistance in the areas of data quality, special studies, and reports and statistics. The services are provided in both Regional and Field offices, with the responsibility for policy guidance and technical assistance residing at the Regional office level.

Increases of ten FTP positions and 10.0 staff-years are proposed for 1991. This increase essentially represents a restoration to the 1990 staffing level within that enacted by the Congress prior to sequestration and other funding reductions that resulted in staffing cuts because the appropriation could not support those levels.

6. Management and Budget Services

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments,				
End of Year............................	67	69	74	+5
Staff-Years............................	73.8	70.1	74.7	+4.6

Management and budget services consist of a wide variety of activities, principally funds allocation and monitoring, preparation and justification of annual budgets, organization and management analyses, coordination of the Departmental time reporting and management plan systems within the Region, and the monitoring and analysis of resource utilization within the Region. The staff providing these services are distributed among both the Regional and Field Offices, with the responsibility for coordinating services and providing policy guidance residing at the Regional level.

The decrease of 3.7 staff-years reduction from the actual use in 1989 is because of sequestration and other funding reductions which resulted in an appropriation that could not support that staffing level. The increase of 4.7 staff-years in 1991 would bring the level of staffing back to a level that could be afforded before the 1990 funding cuts were made.

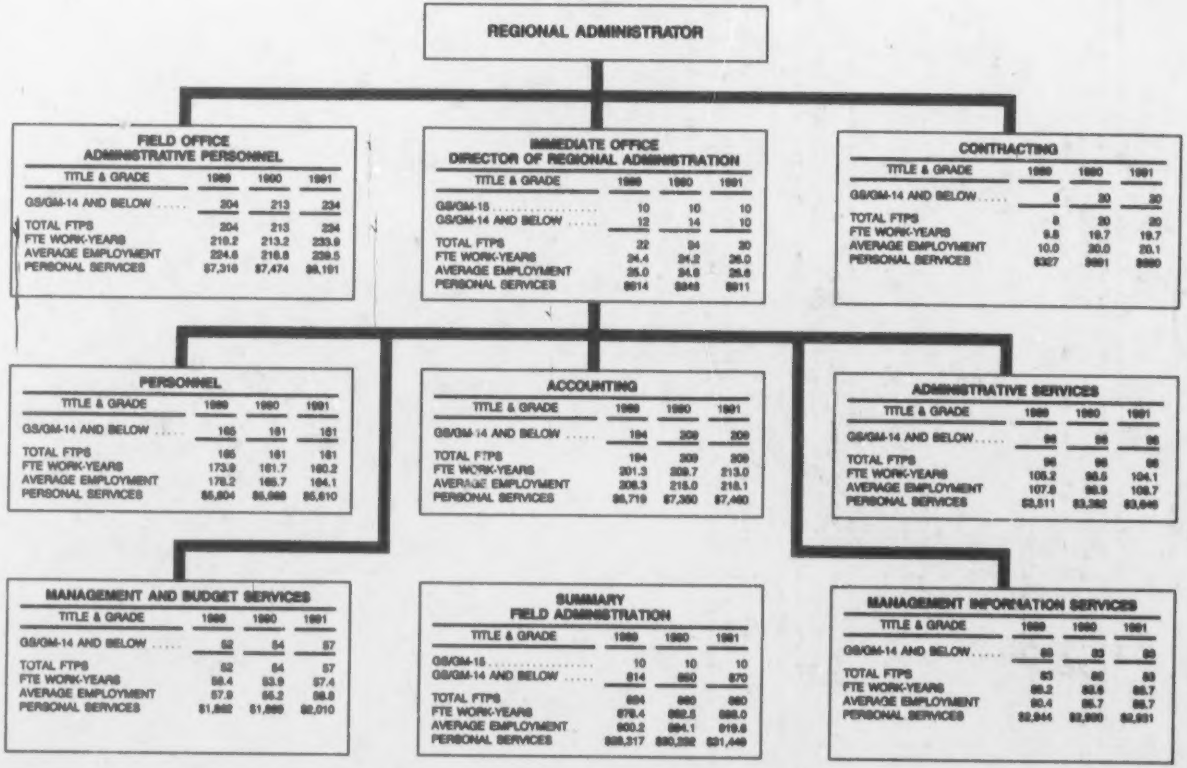
7. Contracting Services

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments,				
End of Year..............................	8	20	20	...
Staff-Years..............................	10.0	20.0	20.0	...

Principal activities of the Regional Contracting Officer include evaluating and monitoring all Regional procurement to ensure compliance with policies and regulations, placing and administering contracts over $10 thousand, awarding certain cooperative agreements, and administering grants and cooperative agreements as delegated. This service is conducted at the Regional office level only.

The proposed increases of 12 FTP positions and 10.0 staff-years in 1990, as compared to actual 1989 staffing levels, will provide for Regional Contracting Officers and one staff person in each of the ten Regional Offices. These increases will provide greater quality control in the Department's direct and indirect Field procurement operations. No change to these levels is proposed for 1991.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD ADMINISTRATION
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)



FIELD OFFICE ADMINISTRATIVE PERSONNEL

TITLE & GRADE	1989	1990	1991
GS/GM-14 AND BELOW	204	213	234
TOTAL FTPS	204	213	234
FTE WORK-YEARS	219.2	213.2	233.9
AVERAGE EMPLOYMENT	224.6	216.8	239.5
PERSONAL SERVICES	$7,316	$7,474	$8,191

IMMEDIATE OFFICE DIRECTOR OF REGIONAL ADMINISTRATION

TITLE & GRADE	1989	1990	1991
GS/GM-15	10	10	10
GS/GM-14 AND BELOW	12	14	10
TOTAL FTPS	22	24	20
FTE WORK-YEARS	24.4	24.2	26.0
AVERAGE EMPLOYMENT	25.0	24.8	26.8
PERSONAL SERVICES	$814	$848	$911

CONTRACTING

TITLE & GRADE	1989	1990	1991
GS/GM-14 AND BELOW	8	20	20
TOTAL FTPS	8	20	20
FTE WORK-YEARS	9.8	19.7	19.7
AVERAGE EMPLOYMENT	10.0	20.0	20.1
PERSONAL SERVICES	$327	$881	$890

PERSONNEL

TITLE & GRADE	1989	1990	1991
GS/GM-14 AND BELOW	165	161	161
TOTAL FTPS	165	161	161
FTE WORK-YEARS	173.9	161.7	160.2
AVERAGE EMPLOYMENT	178.2	165.7	164.1
PERSONAL SERVICES	$5,804	$5,988	$5,610

ACCOUNTING

TITLE & GRADE	1989	1990	1991
GS/GM-14 AND BELOW	194	209	209
TOTAL FTPS	194	209	209
FTE WORK-YEARS	201.3	209.7	213.0
AVERAGE EMPLOYMENT	208.3	215.0	218.1
PERSONAL SERVICES	$6,719	$7,350	$7,460

ADMINISTRATIVE SERVICES

TITLE & GRADE	1989	1990	1991
GS/GM-14 AND BELOW	96	96	96
TOTAL FTPS	96	96	96
FTE WORK-YEARS	105.2	95.5	104.1
AVERAGE EMPLOYMENT	107.8	98.9	108.7
PERSONAL SERVICES	$3,511	$3,382	$3,646

MANAGEMENT AND BUDGET SERVICES

TITLE & GRADE	1989	1990	1991
GS/GM-14 AND BELOW	52	54	57
TOTAL FTPS	52	54	57
FTE WORK-YEARS	56.4	53.9	57.4
AVERAGE EMPLOYMENT	57.9	56.2	58.8
PERSONAL SERVICES	$1,862	$1,889	$2,010

SUMMARY FIELD ADMINISTRATION

TITLE & GRADE	1989	1990	1991
GS/GM-15	10	10	10
GS/GM-14 AND BELOW	814	850	870
TOTAL FTPS	824	860	880
FTE WORK-YEARS	878.4	862.5	899.0
AVERAGE EMPLOYMENT	900.2	884.1	919.6
PERSONAL SERVICES	$28,317	$30,292	$31,446

MANAGEMENT INFORMATION SERVICES

TITLE & GRADE	1989	1990	1991
GS/GM-14 AND BELOW	83	83	83
TOTAL FTPS	83	83	83
FTE WORK-YEARS	88.2	84.6	85.7
AVERAGE EMPLOYMENT	90.4	85.7	85.7
PERSONAL SERVICES	$2,944	$2,880	$2,931

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

The Budget request for each of the staff activities funded within the appropriation "Salaries and Expenses, Housing and Urban Development" has been included in the respective sections of the Justifications associated with the programs they support. This section provides a consolidated justification for all salaries and expenses funds of the Department. Pursuant to 12 U.S.C. 701(c)(3), the Secretary is authorized to consolidate all operating expenses into a single account to simplify day-to-day financial operations and provide some measure of flexibility in the use of personnel to carry out the wide variety of Departmental programs. This also permits simplification of personnel, payroll, management, and accounting procedures. Beginning in 1990, however, the Budget has included a separate appropriation for the Office of Inspector General--an account which does not run through the "Salaries and Expenses" account. This action, which has been taken for each Federal agency which did not previously have a separate OIG account, was to comply with the 1988 amendments to the Inspector General Act of 1978.

This section includes:

-- summary tables of all financing for Salaries and Expenses for the Department by source of funds, by budget activity, and by object class;

-- summary tables of staffing levels by organization for the various categories of employment and grade level;

-- a summary explanation of proposed increases and decreases;

-- an explanation of personal services obligations; and

-- explanations for all other objects of expense.

APPROPRIATION HIGHLIGHTS

The following table summarizes the funding sources and personnel included in this request.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
From Appropriation Bill:					
Salaries and Expenses, Housing and Urban Development	$335,081	$341,252	$341,252	$426,124	+$84,872
Transfer from FHA Fund	378,419 a/	355,846	397,278	380,342	-16,936
Appropriation Act Reduction (Section 517).	...	...	-11,447 b/	...	+11,447
Sequestration	...	...	-10,017 c/	...	+10,018
Transfer from Assisted Housing	...	...	14,000	...	-14,000
Subtotal	713,500	697,098	731,066	806,466	+75,401
Other Transfers:					
Government National Mortgage Association	$4,226	$5,588	$5,694	$6,000	+$306
Interstate Land Sales Registration Fees	506	1,000	618	1,000	+381
Manufactured Housing Fees	865	865	881	900	+19
Consolidated Fee Account	1,000	500	909	509	-400
Transfer from Urban Development Action Grants d/	3,490	...	...	...	...
Miscellaneous	300	...	...	...	...
Sequestration	...	...	-98 c/	...	+98
Subtotal	10,387	7,953	8,004	8,409	+404
Unobligated Balance Lapsing	-2,705	...	...	...	...
Total Obligations	721,182	705,051	739,070	814,875	+75,805

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year e/	12,550	12,090	12,255	12,814	+559
Full-Time Equivalents e/	12,932	12,202	12,480	13,150	+670
Staff-Years e/	13,177	12,436	12,714	13,384	+670

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

a/ Reflects return to FHA of $3,109 thousand of enacted limitation of $381,528 thousand.

b/ Reflects total impact of Section 517 reduction, consisting of $5,289 thousand in budget authority and $6,158 thousand in the FHA transfer.

c/ Reflects total impact of sequestration, consisting of $4,556 thousand in budget authority, $5,461 thousand in the FHA transfer and $98 thousand in other transfers.

d/ Pursuant to the Dire Emergency Supplemental Appropriations Act of 1989 (P.L. 101-45).

e/ For Salaries and Expenses, HUD only. Excludes Working Capital Fund in all years and Office of Inspector General in 1990 and 1991.

SUMMARY OF BUDGET REQUEST

For 1991, the requested appropriation is $806,466 thousand, which consists of $426,124 thousand of budget authority and authority to transfer $380,342 thousand from various FHA accounts. Including reimbursements, fees and other sources, it is estimated that the total obligations for "Salaries and Expenses, Housing and Urban Development" will be $814,875 thousand. These funds will support 13,384 staff-years and 13,150 full-time equivalent staff during the fiscal year, and will provide for an estimated end of year full-time permanent staff of 12,814.

ESTIMATED OBLIGATIONS

The following table provides a comparison of the actual 1989 and estimated 1990 and 1991 obligations for each of the Department's activities. A discussion of each of the activities is included in the respective sections of the Justifications associated with the programs they support.

	ACTUAL 1989	BUDGET - ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Housing Programs	$251,202	$251,633	$305,361	$329,182	+$23,821
Public and Indian Housing	57,125	55,662	62,240	64,817	+2,577
Government National Mortgage Association	4,247	5,588	5,616	6,000	+384
Community Planning and Development	58,025	53,756	60,296	62,280	+1,984
Policy Development and Research	12,781	14,419	13,326	14,464	+1,138
Fair Housing and Equal Opportunity	32,620	44,295	39,619	43,821	+4,202
Departmental Management	9,799	10,552	10,958	12,558	+1,600
General Counsel	13,438	16,847	15,694	17,869	+2,175
Field Legal Services	13,854	15,952	14,996	16,251	+1,255
Inspector General	26,661	...	...	...	...
Administration and Staff Services	140,469	132,539	105,771	135,102	+29,331
Field Direction and Operational Support	27,349	27,364	27,156	29,535	+2,379
Field Administration	73,612	76,444	78,037	82,996	+4,959
Total Obligations	721,182	705,051	739,070	814,875	+75,805

Salaries and Expenses, Housing and Urban Development

The table below displays total obligations by object class and is followed by discussions of the estimates.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Personal Services	$517,942	$488,095	$525,528	$553,494	+$27,966
Travel and Transportation of Persons	14,533	14,097	13,674	14,700	+1,026
Transportation of Things	553	550	533	525	-8
Rent, Communications and Utilities	72,005	76,666	77,131	82,648	+5,517
Printing and Reproduction	4,941	5,018	5,130	5,247	+117
Other Services	93,251	105,630	103,129	138,934	+35,805
Supplies and Materials	7,252	6,870	7,130	7,155	+25
Furniture and Equipment	10,544	7,875	6,597	11,934	+5,337
Insurance and Indemnities	161	250	218	238	+20
Total Obligations	721,182	705,051	739,070	814,875	+75,805

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual obligations of $721,182 thousand during 1989 are $6,228 thousand less than the $727,410 thousand estimated in the previous Budget projection. The reduction consists of $2,230 thousand for personal services and $3,998 thousand for support costs. The lower than estimated use of funds for personal services is due to the use of 17 fewer staff-years than projected, in part because of the late enactment of the Dire Emergency Supplemental Appropriations Act, and the greater use of lower salaried non-FTP employment than projected. The decrease in support costs results from lower than proposed obligations for rent, FTS and contractual support, partially offset by higher obligations for furniture and equipment related to office automation activities.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$705,051
Add Congressional action on 1990 request for S&E, HUD	+41,632
Appropriation Act reduction (Section 517):	
Budget Authority	-5,289
FHA Transfer	-6,158
Subtotal Section 517 reduction	-11,447
Sequestration:	
Budget Authority	-4,556
FHA Transfer	-5,461
Other transfers and fees	-98
Subtotal sequestration	-10,115
Transfer from Annual Contributions for Assisted Housing	+14,000
Adjustments in other transfers and fees for pay raise requirements	+149
Current 1990 estimate	739,070

The changes to the funding requirements for 1990 are the result of the following:

-- the addition by the Congress of 900 staff-years in support of higher program levels than requested in the Budget which required an increase of $41,432 thousand;

-- the Appropriation Act reduction (Section 517) resulted in an overall decrease of $11,447 thousand for S&E, HUD;

-- sequestration resulted in an overall reduction of $10,115 thousand for S&E, HUD;

-- the authorized transfer from Annual Contributions for Assisted Housing provided an increase of $14 million which was used to supplement Housing staff-years and provide partial funding of pay act costs; and

- — adjustments in the transfer from the Government National Mortgage Association and in other fees and reimbursements to fully support pay raise requirements resulted in an increase of $149 thousand.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$721,182	$739,070
Less prior year obligations for Office of the Inspector General	-26,661	...
Revised base	694,521	739,070
Changes to staffing level	+2,014	+27,156
Fiscal year 1990 pay raise	+14,552	+3,664
Fiscal year 1991 general pay raise	...	+7,373
Fiscal year 1991 executive pay raise	...	+671
Rising average salaries and benefits costs	+13,585	...
Budgeted reduction in average cost per staff-year	...	-11,397
Change in Employee Compensation Fund payment	-207	+499
Changes to travel costs	+1,160	+1,026
Changes to office space rental payment to GSA	+6,806	+4,690
Changes to the Federal Telecommunications System (FTS) charges	-105	+590
Changes to local telephone costs	+127	-84
Changes to postal services costs	+87	+265
Changes to utilities costs	-2,042	...
Changes to equipment rental costs	+727	+81
Changes to printing costs	+245	+117
Changes to management studies costs	-1,280	+2,025
Changes to data and statistical services costs	-138	+37
Changes to technical services costs	+4,828	+1,067
Changes to public information services costs	+151	-5
Changes to audit services costs	-408	+141
Changes to the support of the Housing Assistance Council	-29	-971
Changes to the Headquarters building operations costs	-3,331	+353
Changes to space alterations	-1,054	+75
Changes to equipment maintenance costs	+1,607	+27
Changes to automated data processing services costs	+11,393	+31,645
Changes to supplies and materials costs	-79	+25
Changes to furniture and equipment purchases	-3,944	+5,337
All other changes	-116	+1,398
Total obligations	739,070	814,875

As previously indicated, a separate appropriation for the Office of Inspector General (OIG), which up until 1989 was included in this appropriation, was enacted in 1990 and will be proposed in all subsequent years. For the purpose of comparability, the funds for that activity have been excluded from the 1989 data addressed in this section.

Personal services costs increased by $29,944 thousand in 1990 and by $27,966 thousand in in 1991. The changes are due to the following:

- — changes to the average employment level result in an increase of $2,014 thousand in 1990 and a further increase of $27,156 thousand in 1991;

- — the 3.6 percent pay raise which became effective during January 1990 is estimated to require an increment of $14,552 thousand during 1990 and a further increment of $3,664 thousand during 1991;

- — the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $7,373 thousand shown would cover a portion of the total requirement;

- — the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $671 thousand shown would cover a portion of this requirement;

- — rising average salaries and benefits costs will require an additional $13,585 thousand in 1990;

-- a budgeted reduction of $11,397 thousand in the average cost per staff-year in 1991 reflects the requirements to absorb pay raises and other personal services increases; and

-- the Employee Compensation Fund (ECF) payment to the Department of Labor is projected to decrease by $207 thousand in 1990 and then to increase by $499 thousand in 1991.

Support costs have net increases of $14,605 thousand and $47,839 thousand during 1990 and 1991, respectively. The changes are due to the following:

-- travel requirements associated with increased monitoring of Field activities and staff training, as well as operational travel for implementing the Fair Housing Amendments of 1988, result in the need for travel funding increases of $1,160 thousand in 1990 and $1,026 thousand in 1991;

-- payments to the General Services Administration (GSA) for space rental costs are expected to increase $6,806 thousand in 1990 and $4,690 thousand during 1991. The increase in 1990 reflects rental rate changes throughout the country as well as the net effect of the transfer of appropriate costs previously centrally funded in the administrative activities of Administration and Staff Services (A&SS) and Field Administration (FA) to the new OIG appropriation in 1990, and a change in the method of funding the authority delegated to the Department for the operation of the Headquarters building. Through 1989, funds from the rental payments were returned to HUD Headquarters building operations categories. Beginning in 1990, a $5,200 thousand account was established internally by GSA against which HUD lodges charges for those purposes, but which, in the terms of the S&E, HUD account will be regarded as space rental. Any costs above that allowance required by the Department are identified separately. The 1991 increase reflects anticipated rate increases and additional space requirements to house the staffing levels requested;

-- the payment to GSA for our share of the cost of the Federal Telecommunications System (FTS) will decrease $105 thousand during 1990, primarily because usage by the Office of Inspector General will no longer be included in this account, and is expected to increase by $590 thousand in 1991;

-- an increase of $127 thousand in 1990 and a minor decrease of $84 thousand during 1991 reflect anticipated usage and rate changes in local telephone costs;

-- postal service costs are expected to increase $87 thousand and $265 thousand in 1990 and 1991, respectively, based on anticipated rates and requirements;

-- the cost for utilities--electricity, gas and steam--exclusively for the Headquarters building will be eliminated in 1990 due to the change in the method of assigning such costs referred to above under the space rental discussion;

-- equipment rental costs are expected to increase $727 thousand in 1990 and $81 thousand in 1991 for certain office equipment requirements, including FAX machines;

-- printing costs increase $245 thousand and $117 thousand in 1990 and 1991, respectively, reflecting higher rates and additional requirements;

-- Management Studies costs decrease $1,280 thousand in 1990 and increase $2,025 thousand during 1991. The 1990 decrease reflects a reordering of priorities in light of 1990 Budget reductions. The $2 million increase in 1991 is primarily for studies relating to Departmental reform initiatives;

-- changes to the requirements for Data and Statistical Services result in a decrease of $138 thousand in 1990 and an increase of $37 thousand in 1991. Activities under this heading are principally in support of research and community development reports;

-- contracts for Technical Services are expected to increase $4,828 thousand in 1990, and $1,067 thousand in 1991. The increase in 1990 includes an increment of $595 thousand above the 1989 actual expenditure of $1 million for the Tenant Eligibility Quality Control System, the addition of $1,316 thousand for Title VIII investigations under the Fair Housing Amendments of 1988, an increase of $1 million to support the One-Time Mortgage Insurance Premium Service Center and increased requirements associated with technical assistance to troubled Public and Indian housing authorities. The increase in 1991 is primarily the net effect of the addition of $1 million to support the Temporary Mortgage Assistance Payments (TMAP) program, the addition of $125 thousand for installation of Local Area Networks (LANs), and an increment of $100 thousand for payroll services provided by the National Finance Center, partially offset by reduced requirements for fair housing activities. The requirements for technical support contracts are discussed in detail in the Administrative Expenses sections of the activities requiring such funds;

-- funding for public information services is expected to increase $151 thousand in 1990 and decrease by $5 thousand in 1991. The increase in 1990 reflects activities associated with implementation of the Fair Housing Amendments of 1988. This level of activity is expected to carry over into 1991;

-- a decrease of $408 thousand for audit services in 1990 reflects the separation of OIG requirements. The increase of $141 thousand in 1991 reflects anticipated cost increases for GAO-mandated audits of the various accounts of the FHA and GNMA which are still funded from the S&E, HUD appropriation;

-- funding for the Housing Assistance Council was reduced from $1 million to $971 thousand 1990 due to the appropriation cut and sequestration. The complete deletion of funding for the Council in 1991 results in a further reduction of $971 thousand;

-- a decrease of $3,331 thousand for Headquarters building operations in 1990 is consistent with the change in the funding for such requirements addressed above under the space rental discussion and adjusted for the impact of the new OIG appropriation, as previously discussed. The increase of $353 thousand in 1991 is for planned repairs not covered by our rent payment;

-- a decrease of $1,054 thousand in 1990 for space alterations is indicative of completion of certain major projects during 1989, and an increase of $75 thousand in 1991 represents projects that would be required to properly house the higher staffing levels proposed for 1991;

-- an increase of $1,607 thousand for equipment maintenance in 1990 and a further increase of $27 thousand in 1991 supports the increased procurement and utilization of word processors and personal computers by the Department;

-- increases of $11,393 thousand in 1990 and $31,645 thousand in 1991 for automated data processing (ADP) services. The increase in 1990 is principally associated with funding for the first phase of consolidating the Department's ADP capabilities into a HUD Integrated Information Processing Service (HIIPS). The full development and conversion is expected to take 30 months from the date of contract award. The significant increase in ADP funds in 1991 will provide for further development and conversion requirements for HIIPS, as well as for systems development and systems enhancements of the Department's management and financial information systems to support reform initiatives. These efforts, as well as the Department's total ADP function, is discussed in detail in the Working Capital Fund section of this volume of the Justifications;

-- a decrease of $79 thousand in 1990 and a minor increase of $25 thousand during 1991 for supplies and materials. The decrease in 1990 reflects our using existing stocks of software and other ADP supplies during 1990. The slight increase in 1991 is consistent with planned levels of automation;

-- a decrease of $3,944 thousand for furniture and equipment purchases in 1990 reflects reordering of priorities in light of budgetary constraints this year. The increase of $5,337 thousand in 1991 is consistent with the Department's on-going office automation program, particularly to accommodate the higher staff levels requested; and

-- a net decrease of $116 thousand in 1990 and a net increase of $1,398 thousand in 1991 for all other items, such as transportation, printing, health care for employees, visual arts services, and other contractual services which are included under this account.

Salaries and Expenses, Housing and Urban Development

EXPLANATION OF OBLIGATIONS BY OBJECT CLASS

1. PERSONAL SERVICES

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Overtime	$4,893	$3,747	$6,100	$6,277	+$177
Terminal Leave	2,417	1,927	2,600	2,700	+100
Payments to Former Personnel	4,443	4,155	4,155	4,654	+499
All Other Personnel Services	506,189	478,266	512,673	539,863	+27,190
Total	517,942	488,095	525,528	553,494	+27,966

Personal services costs include all salaries and personnel benefits which are paid by the Department. These include health and life insurance, the Government's contribution to employee retirement plans, accrued leave, and reimbursement for costs incurred during transfers, as well as salary and overtime payments.

Personal services costs also include payments to or for former personnel. These consist of payments made to the Employees' Compensation Fund (ECF) for the medical support of former employees who have job-related medical problems and payments to the Federal Employment Compensation Account (FECA), which is a vehicle for reimbursing the various States for unemployment compensation payments made to former HUD employees. Both of these accounts are administered by the Department of Labor. In addition, severance pay for employees who have been involuntarily separated is directly provided to eligible former employees.

The current estimate for 1990 is $525,528 thousand, or $37,433 thousand more than the Budget estimate of $488,095 thousand. The increase is the net effect of several actions. The first is an increase of $34,754 thousand provided by the Congress in the enacted appropriation to support 900.0 more staff-years then proposed for the management of the higher than requested program levels which were enacted. The second was a reduction of $8,018 thousand associated with the Appropriations Act (Section 517) reduction, which resulted in a reduction of 203.1 staff-years. The third was the sequestration of $7,085 thousand which reduced our ability to support another 258.8 staff-years. The 3.6 percent pay raise which became effective in January requires $14,552 thousand, along with the need to absorb higher average salary and benefits costs, resulted in a further decrease of 240.1 staff-years. Finally, $3,230 thousand was shifted from other objects of expense to support an increase of 79.8 staff-years.

The 1991 request is $553,494 thousand, an increase of $27,966 thousand to the 1990 current estimate. This level of funding for personal services will provide for an increase of 669.8 staff-years, including costs of the general and executive pay raises, if the budgeted reduction in average cost per staff-year is realized.

STAFF-YEAR SUMMARY

ACTIVITY	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Housing Programs: a/					
Washington	600.7	543.6	983.4 b/	1,117.0 b/	+133.6
Field	5,574.2	5,585.6	5,592.3	5,918.2	+325.9
Total	6,174.9	6,129.2	6,575.7	7,035.2	+459.5
Public and Indian Housing:					
Washington	131.7	148.2	149.7	148.2	-1.5
Field	1,209.0	947.7	1,200.1	1,219.0	+18.9
Total	1,340.7	1,095.9	1,349.8	1,367.2	+17.4
Government National Mortgage Association:					
Washington	52.4	61.1	59.9	61.1	+1.2

Salaries and Expenses, Housing and Urban Development

STAFF-YEAR SUMMARY

ACTIVITY	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Community Planning and Development:					
Washington	285.2	233.1	280.0	270.8	-9.2
Field	850.1	779.9	826.0	861.2	+35.2
Total	1,135.3	1,013.0	1,106.0	1,132.0	+26.0
Policy Development and Research:					
Washington	134.9	145.2	137.4	147.1	+9.7
Fair Housing and Equal Opportunity:					
Washington	145.3	170.3	156.9	169.6	+12.7
Field	491.4	580.9	538.6	592.2	+53.6
Total	636.7	751.2	695.5	761.8	+66.3
Departmental Management:					
Washington	127.1	151.5	131.1	148.7	+17.6
Office of General Counsel:					
Washington	221.2	261.5	237.9	271.0	+33.1
Field Legal Services:					
Field	268.9	299.3	277.4	299.3	+21.9
Administration:					
Washington:					
Administration and Staff Services (S&E)	1,158.7	1,128.5	764.9 b/	707.1 b/	-57.8
Working Capital Fund	292.7	283.8	283.8	283.8	...
Total	1,451.4	1,412.3	1,048.7	990.9	-57.8
Field Direction and Operational Support:					
Field	530.6	528.0	494.1	533.5	+39.4
Field Administration:					
Field	900.2	871.6	884.1	919.6	+35.5
Office of Inspector General:					
Washington	106.3	110.8	104.8	119.3	+14.5
Field	388.8	384.4	390.4	431.1	+40.7
Total	495.1	495.2	495.2	550.4	+55.2
Total Staff-Years	13,469.4	13,215.0	13,492.8	14,217.8	+725.0
Recapitulation:					
Washington	3,256.2	3,237.6	3,289.8	3,443.7	+153.9
Field:					
Regions	9,824.4	9,533.0	9,812.6	10,343.0	+530.4
Other	388.8	444.4	390.4	431.1	+40.7
Subtotal, Field	10,213.2	9,977.4	10,203.0	10,774.1	+571.1
Total Staff-Years	13,469.4	13,215.0	13,492.8	14,217.8	+725.0
Less Working Capital Fund	-292.7	-283.8	-283.8	-283.8	...
Subtotal	13,176.7	12,931.2	13,209.0	13,934.0	+725.0
Less Office of Inspector General	...	-495.2	-495.2	-550.4	-55.2
S&E, HUD Staff-Years	13,176.7	12,436.0	12,713.8	13,383.6	+669.8

a/ Housing staff-years reflect the shift of Program Compliance staff from the Field to Headquarters in 1991. All years are shown on a comparable basis.

b/ These figures reflect the transfer of 354.8 staff-years in 1990 and 459.4 staff-years in 1991 from the Office of Administration to Housing in connection with the functional transfer of mortgage insurance and accounting activities.

Salaries and Expenses, Housing and Urban Development

a. Changes from 1990 Budget.

The initial 1990 request was for 12,719.8 staff-years including Working Capital Fund staff-years. The Congress, by their enactment of the "1990 Veterans Affairs-HUD-Independent Agencies Appropriations Act," Public Law 101-144, provided an increase of 900.0 staff-years to support the enactment of higher program levels than were requested in the Budget. The table on the following page indicates this and other staff-year changes by organization. An explanation of the table follows.

In addition to Congressional action on the 1990 Budget request, several other actions impacted staffing levels in 1990, including the appropriation reduction (Section 517), sequestration, repricing of personal services due to a higher than budgeted average cost per staff-year, absorption of the pay raise which became effective in January 1990 and a number of functional realignments within the Department which were taken to improve efficiency and the quality of the work being accomplished.

Changes to the total staff-years which could be supported reflect the following:

-- Congressional action provided an increase of 900.0 staff-years above the Budget request, as shown in the table;

-- the Section 517 appropriation cut of $8,018 thousand in personal services resulted in a decrease of 203.1 staff-years, which was applied proportionally to all offices;

-- sequestration of $7,085 thousand in personal services resulted in a decrease of 258.8 staff-years, which was also applied proportionally to all offices;

-- repricing of personal services requirements, based on a higher cost per staff-year than budgeted required that another 240.1 staff-years could not be funded. This reduction was applied proportionally to all offices except Public and Indian Housing, which has a statutory floor, and the Government National Mortgage Association, for which full staffing costs are provided from GNMA funds;

-- the pay raise which became effective in January 1990 will cost $14,552 thousand this year. The Congress provided for a transfer of $14 million from Annual Contributions for Assisted Housing. Most of this amount ($10,537 thousand) was used to cover pay raise costs and supplement staffing for the Office of Housing. The impact of providing this funding to Housing was that other offices had to absorb more of the pay raise than if the $14 million were used proportionally; and

-- a shift of $3,230 thousand into personal services from other objects of expense provided for an increase of 79.8 staff-years to provide some relief in program areas least able to absorb reductions from their current usage rates. This action provided 16.3 staff-years for Community Planning and Development (Headquarters), primarily to accommodate ongoing program responsibilities in the Homeless programs. Administration and Staff Services received 25.4 staff-years, and Field Administration received 38.1 staff-years, both primarily to avoid further reductions in accounting services.

Functional transfers resulted in the following changes:

-- consolidation of Departmental responsibility for the Homeless programs resulted in the shift of 15.0 staff-years in Headquarters and 44.3 staff-years in the Field from Housing to Community Planning and Development;

-- the shift of responsibility for international affairs activities resulted in the transfer of 2.9 staff-years from Departmental Management to Policy Development and Research;

-- the creation of the Office of Drug-Free Neighborhoods within the Office of General Counsel required contributions of 1.0 staff-year from Housing, 3.0 staff-years from Public and Indian Housing which had previously supported this function, 1.0 staff-year from Community Planning and Development, 1.0 staff-year from Fair Housing and Equal Opportunity, 2.0 staff-years from Departmental Management and 1.0 staff-year from Administration and Staff Services; and

1990 STAFF-YEAR CHANGES

	Budget	Conference Report	Section 517 Reductions	G-R-H Sequester	Repricing Changes	$14 Million Transfer	Staff-Year Additions	Functional Transfers				Current Estimate
								Homeless	International Affairs	Drug Policy	Mortgage Insurance	
Housing Programs:												
Washington	543.6	573.6	-8.8	-10.8	-11.3	41.9	0.0	-15.0	0.0	-1.0	354.8	923.4
Field	5,585.6	5,966.6	-91.3	-114.6	-119.7	55.6	0.0	-44.3	0.0	0.0	0.0	5,652.3
Total	6,129.2	6,540.2	-100.1	-125.4	-131.0	97.5	0.0	-59.3	0.0	-1.0	354.8	6,575.7
Public & Indian Housing:												
Washington	148.2	158.2	-2.4	-3.1	0.0	0.0	0.0	0.0	0.0	-3.0	0.0	149.7
Field	947.7	1,243.7	-19.0	-24.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.1
Total	1,095.9	1,401.9	-21.4	-27.7	0.0	0.0	0.0	0.0	0.0	-3.0	0.0	1,349.8
Govt National Mortgage Assn:												
Washington	61.1	61.1	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	59.9
Community Planning & Development:												
Washington	233.0	270.1	-4.1	-5.5	-5.7	-5.1	16.3	15.0	0.0	-1.0	0.0	280.0
Field	780.0	845.9	-12.9	-17.2	-18.0	-16.1	0.0	44.3	0.0	0.0	0.0	826.0
Total	1,013.0	1,116.0	-17.0	-22.7	-23.7	-21.2	16.3	59.3	0.0	-1.0	0.0	1,106.0
Policy Development & Research:												
Washington	145.2	145.2	-2.2	-2.9	-3.0	-2.6	0.0	0.0	2.9	0.0	0.0	137.4
Fair Housing & Equal Opportunity:												
Washington	170.3	170.3	-2.6	-3.3	-3.4	-3.1	0.0	0.0	0.0	-1.0	0.0	156.9
Field	580.9	580.9	-8.9	-11.2	-11.7	-10.5	0.0	0.0	0.0	0.0	0.0	538.6
Total	751.2	751.2	-11.5	-14.5	-15.1	-13.6	0.0	0.0	0.0	-1.0	0.0	695.5
Departmental Management:												
Washington	151.5	146.5	-2.2	-2.7	-2.9	-2.7	0.0	0.0	-2.9	-2.0	0.0	131.1
Office of General Counsel:												
Washington	261.5	247.5	-3.8	-5.0	-5.2	-4.6	0.0	0.0	0.0	9.0	0.0	237.9
Field Legal Services:												
Field	299.3	299.3	-4.6	-5.8	-6.1	-5.4	0.0	0.0	0.0	0.0	0.0	277.4
Administration:												
Washington:												
Administration & Staff Services (S&E)	1,128.5	1,181.5	-18.1	-22.9	-23.9	-21.3	25.4	0.0	0.0	-1.0	-354.8	764.9
Working Capital Fund	283.8	283.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	283.8
Total	1,412.3	1,465.3	-18.1	-22.9	-23.9	-21.3	25.4	0.0	0.0	-1.0	-354.8	1,048.7
Field Direction & Oper Support:												
Field	528.0	533.0	-8.2	-10.3	-10.8	-9.6	0.0	0.0	0.0	0.0	0.0	494.1
Field Administration:												
Field	871.6	912.6	-14.0	-17.7	-18.4	-16.5	38.1	0.0	0.0	0.0	0.0	884.1
Total Staff-Years	12,719.8	13,619.8	-203.1	-258.8	-240.1	0.0	79.8	0.0	0.0	0.0	0.0	12,997.6

-- the transfer of mortgage insurance and accounting services from Administration and Staff Services to Housing during 1990 resulted in the transfer of 334.8 staff-years for approximately three quarters of the year. The full year impact of this realignment will be 459.4 staff-years in 1991.

b. Changes in 1991.

The total Departmental request is for 14,217.8 staff-years in 1991, an increase of 725.0 staff-years from the current 1990 level of 13,492.8 staff-years. These totals include 283.8 staff-years for the Working Capital Fund in both 1990 and 1991. The 1990 request also includes 495.2 staff-years and the 1991 request includes 550.4 staff-years for the Office of Inspector General, for which there is a separate appropriation beginning in 1990. Thus, the staffing levels funded under "Salaries and Expenses, HUD" are 12,713.8 in 1990 and 13,383.6 in 1991, an increase of 669.8 staff-years from 1990 to 1991. The changes to the staffing levels for the individual activities are discussed in detail in their respective sections of the Justifications. In many cases, increases in 1991 return staffing approximately to the levels enacted by the Congress in 1990 prior to the Section 517 reduction, sequestion and repricing changes which reduced the number of staff-years that could be supported, or to historical levels. The various increases and decreases, briefly summarized are:

-- +459.5 staff-years for Housing, including 104.6 staff-years more than in 1990 for the full year impact of the transfer of FHA accounting activities from Administration and Staff Services to Housing;

-- +17.4 staff-years for Public and Indian Housing;

-- +26.0 staff-years for Community Planning and Development;

-- +66.3 staff-years for Fair Housing and Equal Opportunity for ongoing implementation of the Fair Housing Amendments of 1988 and increased monitoring and enforcement of Fair Housing and Equal Opportunity programs;

-- +55.0 staff-years for Departmental legal activities--Office of General Counsel and Field Legal Services--including incremental staffing above 1990 for implementation of the Fair Housing Amendments of 1988;

-- -57.8 staff-years in Administration and Staff Services consisting of an increase of 46.8 staff-years for workload requirements more than offset by the decrease of 104.6 staff-years transferred to Housing, as discussed above; and

-- +103.4 staff-years for other activities in this account, reflecting staffing increases to meet anticipated workloads and to return to historical staffing levels prior to 1990 reductions.

2. STAFF-YEARS BY EMPLOYMENT CATEGORY

A number of other employment programs are utilized to complement the efforts of the permanent staff. These include special employment programs--in which employees with full-time permanent, temporary or part-time status may participate--and overtime, as well as the use of regular temporary and part-time staff to assist in meeting workload peaks. A summary table of staff-years for all categories of employment and a more detailed description of other than full-time permanent employment follows.

STAFF-YEARS FOR ALL CATEGORIES OF EMPLOYMENT

ACTIVITY	FULL-TIME PERMANENT	OTHER	OVERTIME	TERMINAL LEAVE	TOTAL
Housing Programs:					
1989	5,776.0	288.9	81.7	28.3	6,174.9
1990	6,282.6	174.1	87.0	32.0	6,575.7
1991	6,595.4	320.8	87.0	32.0	7,035.2
Public and Indian Housing:					
1989	1,274.9	49.7	13.1	3.0	1,340.7
1990	1,297.1	41.1	1.2	10.4	1,349.8
1991	1,298.7	56.9	1.2	10.4	1,367.2

Salaries and Expenses, Housing and Urban Development

STAFF-YEARS FOR ALL CATEGORIES OF EMPLOYMENT

ACTIVITY	FULL-TIME PERMANENT	OTHER	OVERTIME	TERMINAL LEAVE	TOTAL
Government National Mortgage Association:					
1989	46.0	5.7	0.1	0.6	52.4
1990	56.4	2.9	0.2	0.4	59.9
1991	60.0	0.5	0.2	0.4	61.1
Community Planning and Development:					
1989	1,096.5	31.9	1.9	5.0	1,135.3
1990	1,074.0	14.9	1.1	16.0	1,106.0
1991	1,107.3	7.6	1.1	16.0	1,132.0
Policy Development and Research:					
1989	122.0	11.4	0.2	1.3	134.9
1990	131.7	2.5	0.2	3.0	137.4
1991	138.0	5.9	0.2	3.0	147.1
Fair Housing and Equal Opportunity:					
1989	575.2	53.7	5.2	2.6	636.7
1990	677.9	15.0	0.8	1.8	695.5
1991	723.1	36.1	0.8	1.8	761.8
Departmental Management:					
1989	81.9	40.4	1.6	3.2	127.1
1990	128.5	1.4	0.6	0.6	131.1
1991	140.7	6.8	0.6	0.6	148.7
General Counsel:					
1989	203.8	14.6	1.7	1.1	221.2
1990	228.4	8.0	0.5	1.0	237.9
1991	254.4	15.1	0.5	1.0	271.0
Field Legal Services:					
1989	246.1	20.9	1.2	0.7	268.9
1990	271.1	5.0	0.3	1.0	277.4
1991	286.7	11.3	0.3	1.0	299.3
Inspector General:					
1989	487.8	5.3	0.8	1.2	495.1
1990	...	...	...	...	...
1991	...	...	...	...	...
Administration and Staff Services:					
1989	1,055.1	76.9	22.3	4.4	1,158.7
1990	728.7	13.6	15.2	7.4	764.9
1991	647.4	37.1	15.2	7.4	707.1
Field Direction and Operational Support:					
1989	484.0	40.5	2.2	3.9	530.6
1990	486.1	0.4	1.1	6.5	494.1
1991	480.2	45.7	1.1	6.5	533.5
Field Administration:					
1989	828.8	56.2	13.0	2.2	900.2
1990	848.1	20.5	9.0	6.5	884.1
1991	873.4	30.7	9.0	6.5	919.6
Total Salaries and Expenses, Housing and Urban Development:					
1989	12,278.1	696.1	145.0	57.5	13,176.7
1990	12,210.6	299.4	117.2	86.6	12,713.8
1991	12,605.3	574.5	117.2	86.6	13,383.6

NOTE: Figures for Housing and Administration and Staff Services reflect partial transfer of the FHA accounting function in 1990 (354.8 staff-years) and full year transfer in 1991 (459.4 staff-years).

Salaries and Expenses, Housing and Urban Development

a. Special Employment Programs

HUD's Special Employment Programs represent an approach to the recruitment and management of staff resources which balances direct hiring with in-house opportunities for training employees. Participants may have either permanent or temporary status. The latter are generally in the College Cooperative or Summer College Programs and the Worker Trainee or Stay-in-School Programs. The following two tables list the individual programs included under this category and indicate the end of year number of employees and staff-years for each of the programs--the actual for 1989 and estimates for 1990 and 1991. All figures represent details which are subsumed under the permanent full-time or temporary employee totals. The tables are followed by a brief description of each of the programs.

SPECIAL EMPLOYMENT PROGRAMS
END OF FISCAL YEAR EMPLOYMENT

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Professional:			
Interns	8	8	8
College Cooperative a/	12	12	12
Summer College a/	9	9	9
Part-Time Professional	24	24	24
Subtotal, Professional	53	53	53
Para-Professional:			
Upward Mobility	71	77	77
Clerical:			
Summer Aide and Stay-in-School	58	54	54
Worker-Trainee	8	6	6
Subtotal	66	60	60
Veteran Readjustment	43	45	45
Selective Placement	45	45	45
Total Employment	278	280	280

a/ Student programs. Generally not on the Department rolls on September 30, but participate during the year. Staff-year usage is more representative of the level of participation.

SPECIAL EMPLOYMENT PROGRAMS
STAFF-YEARS

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Professional:			
Interns	13.0	13.0	13.0
College Cooperative	24.9	25.0	25.0
Summer College	4.5	5.0	5.0
Part-Time Professional	21.6	22.0	22.0
Subtotal, Professional	64.0	65.0	65.0
Para-Professional:			
Upward Mobility	82.0	93.0	93.0
Clerical:			
Summer Aide and Stay-in-School	37.3	26.5	26.5
Worker-Trainee	5.2	3.5	3.5
Subtotal	42.5	30.0	30.0
Veteran Readjustment	44.7	45.0	45.0
Selective Placement	46.8	47.0	47.0
Total Staff-Years	280.0	280.0	280.0

(1) Professional. The goal of the Professional Programs is the recruitment and development of qualified candidates to provide staff resources for demanding professional assignments. Some examples of the programs follow:

(a) The HUD Intern Program is designed to recruit, train and place high quality college graduates who are ultimately targeted for senior professional positions.

(b) The College Cooperative Program is a work/study program designed to encourage students to continue their education while working and preparing to assume a professional position with the Department. Students receive college credits for their work experience.

(c) The Summer College Program is designed to provide summer employment and enrich the experience of graduate and undergraduate college students with the expectation that some will be attracted to the Department as full-time professionals after graduation.

This category also includes a program for the part-time employment of individuals in professional positions.

(2) Para-Professional. The Upward Mobility Program provides opportunities for employees in non-professional positions to enhance their skills through training and educational programs so that they may perform at their highest potential and advance in accordance with their abilities to new careers in positions of greater responsibility.

(3) Clerical. The goal of the Clerical Recruitment and Development Program is to provide a versatile reserve of skilled clerks, secretaries, office machinists, etc., to replace clerical employees who leave the Department or move into technical jobs. The program provides for summer employment of disadvantaged youth in the Summer Aide Program, as well as part-time positions throughout the year in the the Worker-Trainee and Stay-in-School Programs. The participants are trained, and work in basic skill areas needed by HUD.

(4) Veteran Readjustment. Under this program, Vietnam veterans are given an opportunity to be productively employed while they are acquiring an education or training. Excepted appointments at the GS-3 level are given to veterans who have not had more than 14 years of education, on the basis of total experience, including military service, and are capable of performing the duties of the specific position. Following their appointment, they enter into a program of work, study and education tailored to their educational and personal development needs and to the needs of the Department.

(5) Selective Placement (Handicapped). The goal of the Selective Placement Program is to open jobs in the Federal Government to mentally dysfunctional and physically handicapped persons who are occupationally qualified.

b. Temporary and Part-time Employment.

Employees who do not have full-time permanent status or who have permanent status but have a part-time work schedule are utilized to deal with workload fluctuations during the course of the year and for other specific requirements for which full-time permanent staff are not required. The following table indicates year-end employment and staff-years for such staff:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
End-of-Year Employment	470	300	300	...
Staff-Years	653.6	269.4	544.5	+275.1

The increased usage in 1991 above 1990 reflects the use of temporaries to meet peak workload requirements.

c. Overtime

Overtime is a flexible supplement to the Department's staffing level. It is utilized for relatively short-term workload peaks and to meet short deadline requirements. In such instances, it is preferable for qualified staff already on board to work extra hours rather than to hire additional staff. The following table identifies the level of overtime staff-years utilized in 1989, and estimates for 1990 and 1991, and the associated funding:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)		
Staff-Years	145.0	117.2	117.2	...
Obligations	$4,893	$6,100	$6,277	+$177

d. Terminal Leave

Terminal leave is the unused earned annual leave due an employee upon leaving Federal service. In most instances, the maximum leave accrued at retirement, resignation or other termination is 30 days. The number of staff-years and the associated costs included in the request for terminal leave are based on historical data and estimates of the number of employees who will retire, resign or otherwise terminate employment. This information is summarized in the following table:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)		
Staff-Years	57.5	86.6	86.6	...
Obligations	$2,417	$2,600	$2,700	+$100

3. PAYMENTS TO FORMER PERSONNEL

The following table indicates the items of cost for former HUD staff--actual obligations during 1989 and estimated obligations for 1990 and 1991:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)		
Employees' Compensation Fund	$4,171	$4,055	$4,554	+$499
Federal Employment Compensation Account	81	50	50	...
Severance Pay	191	50	50	...
Total	4,443	4,155	4,654	+499

The funds for both the Employees' Compensation Fund (ECF) and the Federal Employment Compensation Account (FECA) are required to reimburse the Department of Labor (DOL), which manages those funds, for payments made to former HUD employees. The payments to the ECF are for actual medical support payments made in prior years on behalf of individuals under continuing medical care for conditions incurred while in the employ of HUD. The DOL advises the Department of the amount of such costs incurred for inclusion in subsequent Budget requests. In this context, all of the amounts indicated are for actual costs.

The payments to the FECA reimburse the DOL for payments made to the 53 States and dependencies in which former HUD personnel are eligible for unemployment compensation. The payments are made on a more current basis than the payments to the ECF, i.e., reimbursements for costs incurred during the previous quarter.

All employees who are involuntarily separated are eligible for severance pay. The payments are based upon time-in-service and the salary level attained and, depending upon the individual entitlement, can be phased over a full year. The estimates for 1990 and 1991 assume a leveling of costs at a relatively minimal level on the basis of a decline of such requirements during the past few years.

Salaries and Expenses, Housing and Urban Development

4. FULL-TIME PERMANENT APPOINTMENTS

The following table summarizes the end of year full-time staff with permanent appointments:

FULL-TIME PERMANENT APPOINTMENTS
END OF FISCAL YEAR

ACTIVITY	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Housing Programs: a/					
Washington	558	535	1,107 b/	1,107 b/	...
Field	5,338	5,525	5,366	5,566	+200
Total	5,896	6,060	6,473	6,673	+200
Public and Indian Housing:					
Washington	129	138	142	142	...
Field	1,164	825	1,150	1,160	+10
Total	1,293	963	1,292	1,302	+10
Government National Mortgage Association:					
Washington	49	60	60	60	...
Community Planning and Development:					
Washington	261	217	261	255	-6
Field	816	755	807	875	+68
Total	1,077	972	1,068	1,130	+62
Policy Development and Research:					
Washington	127	146	134	140	+6
Fair Housing and Equal Opportunity:					
Washington	127	162	150	162	+12
Field	496	570	555	570	+15
Total	623	732	705	732	+27
Departmental Management:					
Washington	105	148	140	141	+1
Office of General Counsel:					
Washington	215	270	235	264	+29
Field Legal Services:					
Field	253	300	280	290	+10
Administration:					
Washington:					
Administration and Staff Services (S&E)	1,075	1,088	558 b/	707 b/	+149
Working Capital Fund	275	276	276	276	...
Total	1,350	1,364	834	983	+149
Field Direction and Operational Support:					
Field	522	512	450	495	+45
Field Administration:					
Field	824	839	860	880	+20
Office of Inspector General:					
Washington	104	110	104	118	+14
Field	387	382	388	427	+39
Total	491	492	492	545	+53
Total Full-Time Permanent Appointments	12,825	12,858	13,023	13,635	+612
Other Employment	736	160	360	360	...
Total Employment	13,561	13,018	13,383	13,995	+612

Salaries and Expenses, Housing and Urban Development

FULL-TIME PERMANENT APPOINTMENTS
END OF FISCAL YEAR

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Recapitulation:					
Washington	3,025	3,150	3,167	3,372	+205
Field:					
Regions	9,413	9,277	9,468	9,836	+368
Other	387	431	388	427	+39
Subtotal, Field	9,800	9,708	9,856	10,263	+407
Total Full-Time Permanent Appointments	12,825	12,858	13,023	13,635	+612
Less Working Capital Fund	-275	-276	-276	-276	...
Subtotal	12,550	12,582	12,747	13,359	+612
Less Office of Inspector General	...	-492	-492	-545	-53
S&E, HUD Full-Time Permanent Appointments, End of Year	12,550	12,090	12,255	12,814	+559

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

a/ Housing FTPs reflect the shift of Program Compliance staff from the Field to Headquarters in 1991. All years are shown on a comparable basis.

b/ These figures reflect the transfer of 448 FTPs from the Office of Administration to Housing in connection with the functional transfer of mortgage insurance and accounting activities.

5. FULL-TIME EQUIVALENT (FTE) WORK-YEARS

A full-time equivalent (FTE) work-year allocation is the principal method for controlling staff levels within the Executive Branch of the Federal Government. Work-year ceilings are issued upon the basis of the number of work-years needed to achieve Departmental missions and objectives. These include work-years for full-time permanent employment, for temporary employment, and for part-time work which is counted in equivalents of full-time work. The ceilings:

-- represent the maximum cumulative number of regularly scheduled hours (excluding overtime work and nonceiling employees) to be worked during the year; and

-- are a more useful measure of staff effort than end of year positions.

The following table provides a comparison by staff-year category of the total 1991 staff-years and full-time equivalent work-years. It is followed by a table which indicates by Budget activity the full-time equivalent work-years included in this request.

	1991	
	Staff-Years	Full-Time Equivalents
Full-Time Permanent	13,408.8	13,408.8
Part-Time and Temporary Full-Time	569.0	569.0
Nonceiling	30.0	...
Overtime	120.0	...
Terminal Leave	90.0	...
Total	14,217.8	13,977.8

The staff-year total includes time for nonceiling employees, terminal leave and overtime. While terminal leave and overtime do not add to the actual number of employees, the days and hours must be compensated. Hence, the staff-years actually identify the number of employment hours which must be compensated and for which appropriations must be provided.

Salaries and Expenses, Housing and Urban Development

FULL-TIME EQUIVALENT WORK-YEARS

ACTIVITY	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Housing Programs: a/			
Washington	597.5	976.8 b/	1,110.4 b/
Field	5,455.5	5,469.7	5,795.6
Total	6,053.0	6,446.5	6,906.0
Public and Indian Housing:			
Washington	130.2	147.6	146.1
Field	1,188.3	1,189.3	1,208.2
Total	1,318.5	1,336.9	1,354.3
Government National Mortgage Association:			
Washington	51.0	58.8	60.0
Community Planning and Development:			
Washington	283.3	274.9	265.7
Field	844.3	813.1	848.3
Total	1,127.6	1,088.0	1,114.0
Policy Development and Research:			
Washington	133.4	134.2	143.9
Fair Housing and Equal Opportunity:			
Washington	144.0	155.2	167.9
Field	481.1	536.1	589.7
Total	625.1	691.3	757.6
Departmental Management:			
Washington	122.3	129.6	147.2
Office of General Counsel:			
Washington	218.4	236.4	269.5
Field Legal Services:			
Field	266.4	276.1	298.0
Administration:			
Washington:			
Administration and Staff Services (S&E)	1,123.1	733.6 b/	675.8 b/
Working Capital Fund	288.9	279.8	279.8
Total	1,412.0	1,013.4	955.6
Field Direction and Operational Support:			
Field	521.4	486.1	525.5
Field Administration:			
Field	878.4	862.5	898.0
Office of Inspector General:			
Washington	105.6	104.3	118.8
Field	387.5	388.7	429.4
Total	493.1	493.0	548.2
Total Full-Time Equivalent Work-Years	13,220.6	13,252.8	13,977.8

Salaries and Expenses, Housing and Urban Development

FULL-TIME EQUIVALENT WORK-YEARS

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Recapitulation:			
Washington	3,197.7	3,231.2	3,385.1
Field:			
Regions	9,635.4	9,632.9	10,163.3
Other	387.5	388.7	429.4
Subtotal, Field	10,022.9	10,021.6	10,592.7
Total Full-Time Equivalent Work-Years	13,220.6	13,252.8	13,977.8
Less Working Capital Fund	-288.9	-279.8	-279.8
Subtotal	12,931.7	12,973.0	13,698.0
Less Office of Inspector General	...	-493.0	-548.2
S&E, HUD Full-Time Equivalent Work-Years	12,931.7	12,480.0	13,149.8

a/ Housing FTE reflect the shift of Program Compliance staff from the Field to Headquarters in 1991. All years are shown on a comparable basis.

b/ The figures reflect the transfer of 354.8 FTE in 1990 and 459.4 FTE in 1991 from the Office of Administration to Housing in connection with the functional transfer of mortgage insurance and accounting activities.

6. DISTRIBUTION OF STAFF BY GRADE LEVEL

The following table indicates the distribution of the total full-time permanent staff, including those within the Working Capital Fund and the Office of Inspector General, by grade level, and the average grade for GS/GM employees.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Executive Level I	1	1	1	...
Executive Level III	1	1	1	...
Executive Level IV	11	11	11	...
Subtotal	13	13	13	...
ES - 6	5	5	5	...
ES - 5	22	26	26	...
ES - 4	50	50	50	...
ES - 3	20	17	18	+1
ES - 2	18	18	17	-1
ES - 1	5	4	4	...
Subtotal	120	120	120	...
GS - 18	1	1	1	...
GS - 17	2	2	2	...
GS - 16	4	4	4	...
GS/GM-15	504	528	529	+1
GS/GM-14	830	837	854	+17
GS/GM-13	1,579	1,642	1,708	+66
GS - 12	2,501	2,547	2,655	+108
GS - 11	1,781	1,825	1,914	+89
GS - 10	40	43	56	+13
GS - 9	1,063	1,058	1,126	+68
GS - 8	158	154	181	+27
GS - 7	1,101	1,101	1,162	+61
GS - 6	723	723	765	+42
GS - 5	1,342	1,350	1,417	+67
GS - 4	932	945	991	+46
GS - 3	95	94	102	+8
GS - 2	6	7	6	-1
GS - 1	6	5	5	...
Subtotal	12,668	12,866	13,478	+612
Ungraded	24	24	24	...
Total	12,825	13,023	13,635	+612
Average GS/GM Grade	9.7	9.8	9.8	...

7. ADVISORY AND ASSISTANCE SERVICES (FORMERLY CONSULTING AND RELATED SERVICES)

Prior to 1988 this category was referred to as Consulting and Related Services, and its constituents defined by OMB Circular A-120. However, beginning October 1, 1988, the definition was expanded to encompass additional items listed in the Federal Procurement Data System (FPDS). The additions were primarily management and professional services included under Related Services. The redefinition has resulted in the inclusion of a significant amount of contractual support not previously indentified. The following material provides definitions of items currently considered Advisory and Assistance Services, followed by a listing, by appropriation, of the funds obligated for such services during 1989 and estimated obligations for 1990 and 1991, and a brief discussion of the specific services funded.

Advisory and assistance services are those services acquired by contract, personnel appointment or advisory committee expense to support or improve agency policy development, decision-making, management, and administration, or to support or improve the operation of management systems. Such services may take the form of information, advice, opinions, alternatives, conclusions, recommendations and direct assistance. These services are normally provided by persons and/or organizations considered to have knowledge and special abilities that are not generally available within the agency. The following activities have characteristics which identify them as advisory and assistance services;

-- individual experts and consultants possessing specialized knowledge and operational experience which enables them to provide information, opinions, advice or recommendations to enhance understanding of complex issues or to improve the quality and timeliness of policy development or decision-making;

-- studies, analyses, and evaluations providing recommendations for improving policy development or decision-making on complex issues. The effort results in a formal, structured document and/or data bases, models, methodologies and related software; and

-- management and professional support services in the form of information, opinions, advice, training or direct assistance that lead to the improved design or operation of managerial, administrative, or related systems. Some examples are program management, project monitoring and reporting, data collection, financial management, budgeting, accounting, auditing, personnel management, paperwork management, records management, space management and public relations.

The following table identifies, by account, the actual obligations for these services during 1989 and the estimated obligations for 1990 and 1991.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
	(Dollars in Thousands)		
Federal Housing Administration (FHA)	$12,616	$37,000	$37,000
Manufactured Home Inspection and Monitoring	2,732	3,000	3,000
Rehabilitation Loan Fund (Section 312)	7,746	8,800	8,500
Annual Contributions for Assisted Housing	3	...	...
Research and Technology	4,585	3,500	3,500
Salaries and Expenses:			
Contracts	6,090	12,500	15,000
Personnel Appointments	491	300	300
Advisory Committee Expenses	5	50	50
Total, Salaries and Expenses	6,586	12,850	15,350
Working Capital Fund	2,097	2,000	2,000

FHA funds are used for a wide variety of services, such as program and financial management, claims reviews, property management, actuarial services and foreclosure services, but they are primarily for management and accounting assistance. These include the Single Family Thrift and Title I Notes programs and Single Family property management, which account for the bulk of the funds. The upward funding trend is principally related to those three items.

The funds used from the Manufactured Housing account are for ongoing contractual assistance for inspections and inspection monitoring, for which the funding requirement is level.

The decreasing trend for assistance for Rehabilitation Loan Fund servicing costs reflects the phase-out of that program.

The relatively large increases for S&E, HUD contracts primarily reflect the continuation of the Tenant Eligibility Quality Control program and the One-Time Mortgage Insurance Premium Service Center in 1990, the continued growth in 1990 of complaint investigations in support of the implementation of the Fair Housing Amendments of 1988, and the addition of $1 million in 1991 for the Temporary Mortgage Assistance Payments (TMAP) program and $2 million for contractual requirements related to reform initiatives within the Department.

Requirements in the Working Capital Fund are primarily for acquisition support related to the HUD Integrated Information Processing Service (HIIPS) project.

TRAVEL AND TRANSPORTATION OF PERSONS

This category represents the transportation of Government employees or other persons who travel under the auspices of the Federal Government, their per diem allowances when in an authorized travel status, and other expenses incident to travel which are to be paid by the Government directly or by reimbursing the traveler. It consists of travel both away from the official duty station and in and around the official station of an employee. The following material provides data on actual 1989 costs and estimates for 1990 and 1991.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Travel..	$14,533	$14,097	$13,674	$14,700	+$1,026

The 1990 decrease of $423 thousand from the Budget request of $14,097 thousand to the current estimate of $13,674 thousand consists of:

-- +$832 thousand increase by the Congress included in the additional staff and related funds provided to support enactment of higher than requested program levels;

-- -$229 thousand required under the Appropriation Act (Section 517) reduction;

-- -$203 thousand required under sequestration;

-- -$48 thousand to absorb the 1990 pay raise; and

-- -$775 thousand to shift resources to personal services to provide funding for some additional staff-years.

The increase of $1,026 thousand in 1991 reflects anticipated requirements based on proposed staffing and workloads, and would provide approximately the funding level that would have been available prior to sequestration and internal reductions. Priorities for 1991 include increases for training, monitoring and oversight of program execution responsibilities, and travel related to implementation of the Fair Housing Amendments of 1988.

The Department's travel requirements are based principally on the actual cost per staff-year experienced for each activity in both Headquarters and Field offices. Individual cost factors--reflecting changes from historical data, particularly for anticipated rate and per diem changes--are applied to the staff-years proposed for each of the activities and, thus, relate the funding levels requested, insofar as it is possible, to the anticipated workload. Funding for travel related to staff training is developed separately on the basis of the Department's training plans.

The following table indicates the actual obligations incurred during 1989 by the various activities of the Department and the estimated obligations for 1990 and 1991.

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	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)		
Housing Programs	$4,211	$4,441	$4,615	+$174
Public and Indian Housing	1,669	1,797	1,798	+1
Government National Mortgage Association	45	48	68	+20
Community Planning and Development	1,202	1,238	1,285	+47
Policy Development and Research	116	160	120	-40
Fair Housing and Equal Opportunity	1,033	1,016	1,075	+59
Departmental Management	283	423	703	+280
General Counsel	220	338	368	+30
Field Legal Services	150	134	149	+15
Inspector General	2,019	...	...	...
Administration and Staff Services	402	512	374	-138
Training Travel	1,605	2,150	2,576	+426
Field Direction and Operational Support	947	851	941	+90
Field Administration	631	566	628	+62
Total	14,533	13,674	14,700	+1,026

TRANSPORTATION OF THINGS

This classification consists of charges for the transportation of things and the care of such things while in the process of being transported. It includes rental trucks and other transportation equipment, and reimbursement to Government personnel for authorized movement of household effects or house trailers. The following material provides data on the actual obligations during 1989 and estimates for 1990 and 1991.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Transportation of Household Goods	$396	$353	$363	$365	+$2
All Other Transportation of Things	157	197	170	160	-10
Total	553	550	533	525	-8

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Transportation of Household Goods	$396	$353	$363	$365	+$2

This represents the estimated cost of the transportation of household goods and personal effects for employees transferred from one official duty station to another. The authority to move household goods is extended to such staff for a period of 1 year after transfer. Thus, the costs for individual transfers can extend over time. The funding request for 1991 is essentially level with 1990.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
All Other Transportation of Things	$157	$197	$170	$160	-$10

These funds are for the transportation of all items not related to household moves, such as the movement of furniture and equipment, the shipment of forms and publications, and freight charges associated with procurement and contracting activities. The minor decrease in 1991 reflects a slight reduction in anticipated requirements.

RENT, COMMUNICATIONS AND UTILITIES

The funds under this object classification provide for all rental costs--both space and equipment--communications services, and utilities. The following materials identify the specific items, and their actual 1989 and estimated 1990 and 1991 obligation levels.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Real Property Rental	$45,829	$51,312	$52,635	$57,325	+$4,690
Real Property Rental of Training or Conference Facilities	134	100	97	95	-2
Telephone--Local	5,645	6,054	5,856	5,772	-84
Telephone--Long Distance	136	198	186	183	-3
Telephone--Federal Telecommunications System	8,463	8,662	8,358	3,948	+590
Postal Services	6,313	6,858	6,400	6,665	+265
Other Communications Services	1,824	1,495	1,455	1,435	-20
Copying Machine Rental	1,195	1,183	1,200	1,250	+50
Other Equipment Rental	279	804	944	975	+31
Electricity	1,748	...	...	...	...
Steam	436	...	...	...	...
Natural Gas	3	...	...	...	...
Total	72,005	76,666	77,131	82,648	+5,517

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Real Property Rental	$45,829	$51,312	$52,635	$57,325	+$4,690

The General Services Administration establishes rental rates and provides cost estimates for the space requirements identified by the Department. The increase of $1,323 thousand in the 1990 current estimate, as compared to the Budget estimate, reflects GSA's current rates and more current requirements data. The 1991 increase reflects our office space requirements for the staffing increases requested. As in 1990, a GSA account will be established internally by GSA against which HUD may lodge charges for those purposes, but which, in the terms of the HUD account, will be regarded as space rental.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Real Property Rental of Training or Conference Facilities	$134	$100	$97	$95	-$2

These funds provide for space rental for short-term training or conference facilities where adequate Government space is not available. The 1991 request is essentially level with 1990.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Telephone--Local	$5,645	$6,054	$5,856	$5,772	-$84

This represents the estimated cost of local recurring (maintenance and additional message units) and non-recurring (installation, relocation, repairs and materials) telephone charges as billed by the servicing telephone companies. These costs are variable due to usage, office moves, relocations, etc.

The decreases in 1990 and 1991, as compared to the 1990 Budget, reflect pricing refinements based on actual historical requirements.

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	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Telephone--Long Distance......................	$136	$198	$186	$183	-$3

This represents long-distance telephone services other than those provided through the Federal Telecommunications System. The changes in 1990 and 1991 reflect pricing refinements based on anticipated changes in the rate structures.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Telephone--Federal Telecommunications System..................................	$8,463	$8,662	$8,358	$8,948	+$590

This represents HUD's share of the cost of the Federal Telecommunications System (FTS). The FTS costs to the Department are based on quarterly samplings made by the General Services Administration (GSA), with annual notification of the amount to be billed. The funding levels are based on estimates provided by GSA. The decrease of $304 thousand from the 1990 Budget to the current estimate reflects our most recent estimate of requirements. The increase of $590 thousand in 1991--from $8,358 thousand to $8,948 thousand--is in accordance with a notification from GSA.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Postal Services..............................	$6,313	$6,858	$6,400	$6,665	+$265

This represents the payments made to the U.S. Postal Service for Departmentwide mail services as well as costs for penalty mail services paid through Cooperative Administrative Support Unit (CASU) agreements. The estimates are based upon semi-annual samplings and actual metered mail costs, and reflect anticipated USPS rates.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Other Communications Services.................	$1,824	$1,495	$1,455	$1,435	-$20

This represents the estimated cost of all communications services not shown elsewhere, and includes such items as teletype, radio and cable equipment, messenger services and commercial telegraph services.

The minor decrease of $20 thousand in 1991 represents essentially level funding.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Copying Machine Rental.......................	$1,195	$1,183	$1,200	$1,250	+$50

This represents the estimated cost of office copying equipment (including rentals, copy charges, etc.) located both in Headquarters and the Field.

The proposed funding levels are consistent with anticipated requirements and rates.

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Other Equipment Rental........................	$279	$804	$944	$975	+$31

The funds requested are for the rental of miscellaneous specialized, and miscellaneous office equipment for limited, short-term use, where determined to be more economical than outright purchase or a long-term lease arrangement. It includes such items as word processing equipment, magnetic-tape and microfilm/microfiche readers and printers, and other types of specialized office equipment utilized in Headquarters and Field offices. The increase in 1991 reflects anticipated requirements based on the proposed staffing increases.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Utilities....................................	$2,187	...	...	...	...
(Electricity)................................	(1,748)	(...)	(...)	(...)	(...)
(Steam)......................................	(436)	(...)	(...)	(...)	(...)
(Natural Gas)................................	(3)	(...)	(...)	(...)	(...)

Through 1989, the Department was responsible for the operation and maintenance of the HUD Headquarters building and the related funding. This included utilities such as electricity, steam, and natural gas. The steam is principally for the Departmental cafeteria equipment. Beginning in 1990, such costs are reflected in the space rental cost in accordance with the change in the method by which such authorities and responsibilities are delegated by the GSA, as described under the discussion of space rental costs.

PRINTING

The funds included under this object class represent the cost of contractual printing and reproduction services, and related composition and binding operations performed by or through the Government Printing Office (GPO).

Both the 1990 and 1991 estimates anticipate increased requirements associated with the ongoing implementation of the Fair Housing Amendments of 1988, as well as new requirements associated with the Secretary's reform initiatives.

The following table identifies the various subobjects and is followed by a brief discussion of each item.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Quick Copy Services..........................	$289	$255	$186	$190	+$4
Federal Register and Code of Federal Regulations	757	663	638	653	+15
Forms..	766	947	931	952	+21
Handbooks....................................	789	810	831	850	+19
Periodicals..................................	26	56	60	61	+1
Publications.................................	676	788	577	591	+14
Micrographic Services........................	640	520	787	805	+18
Other Printing...............................	998	979	1,120	1,145	+25
Total..	4,941	5,018	5,130	5,247	+117

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Quick Copy Services............................	$289	$255	$186	$190	+$4

These funds are for quick copy services provided through a self-service copy machine room located at Headquarters.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Federal Register and Code of Federal Regulations..................................	$757	$663	$638	$653	+$15

These funds are for having HUD-related notices and other materials printed in the Federal Register and the Code of Federal Regulations, and the cost of copies in excess of the standard allowance for these publications. The high level in 1989 represents requirements related to implementation of the Fair Housing Amendments of 1988.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Forms..	$766	$947	$931	$952	+$21

This represents the cost of printing or reprinting all HUD and other standardized forms, multipart or otherwise, for the use of both the general public and internal purposes. Increased requirements are anticipated in 1990 and 1991 above the actual 1989 obligations relating to various new or revised programs being implemented.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Handbooks....................................	$789	$810	$831	$850	+$19

These funds are for printing or reprinting all HUD and other standard handbooks, as required. The funding levels for 1990 and 1991 anticipate Secretarial initiatives, as well as ongoing requirements related to the Fair Housing Amendments of 1988.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Periodicals..................................	$26	$56	$60	$61	+$1

This represents the cost of printing materials on an established and periodic schedule, such as newsletters, bulletins, journals and magazines. It excludes periodic reports, which are included under the publications category. Level funding requirements are anticipated.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Publications.................................	$676	$788	$577	$591	+$14

Salaries and Expenses, Housing and Urban Development

These funds are for publications produced either totally or partially for purposes of informing the general public, constituent groups, the Congress, State and local officials, grantees or public organizations about the Department's programs and activities. These include various publications such as press releases, booklets, brochures and fact sheets, as well as reports mandated by the President or the Congress. A slight upward trend is anticipated in 1991 to accomplish requirements which may have to be postponed in 1990.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Micrographic Services..........................	$640	$520	$787	$805	+$18

These funds are used for the initial creation of microfiche and microfilm files or the conversion of files to microfilm or microfiche in order to reduce the space required for files--thereby reducing space costs--and to increase staff productivity by providing easier access to the Department's records for processing claims and similar activities. Growth in the Department's micrographics program is planned over the next few years.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Other Printing................................	$998	$979	$1,120	$1,145	+$25

This represents printing costs not otherwise identified, such as staff bulletins, Budget justification material, copies of administrative and court proceedings, awards, etc. The estimates assume generally level funding.

OTHER SERVICES

This classification includes the cost of all services not identified in the other object classes. Small increases are anticipated in 1990 and 1991.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Health Services...............................	$891	$866	$785	$900	+$115
Security Investigations.......................	470	...	...	...	...
Training Enrollments..........................	1,221	758	805	804	-1
Training Support--Federal Personnel...........	1,892	1,784	2,150	2,000	-150
Training Support--Non-Federal Personnel.......	25	175	125	125	...
Storage of Household Goods....................	123	83	75	75	...
Audit Services................................	987	660	579	720	+141
Library Services..............................	626	639	636	650	+14
Stenographic Services.........................	103	60	54	60	+6
Management Studies............................	2,480	1,672	1,200	3,225	+2,025
Data and Statistical Services.................	1,011	804	873	910	+37
Public Information Services...................	182	334	333	328	-5
Credit Information............................	328	200	181	200	+19
Section 504 Technical Assistance..............	196	450	307	500	+193
Technical Services............................	6,290	12,228	11,117	12,184	+1,067
Housing Assistance Council Support............	1,000	...	971	...	-971
Visual Arts Services..........................	342	271	246	246	...
Repairs and Alterations to Space..............	950	578	774	849	+75
HUD Headquarters Building Operations and Maintenance..............................	4,956	1,619	1,625	1,978	+353
ADP Equipment Maintenance and Repair..........	1,566	2,662	2,661	2,676	+15
Other Equipment Maintenance and Repair........	1,675	2,177	2,177	2,189	+12
Building Services.............................	505	464	421	527	+106
Data Processing Services......................	63,382	75,663	73,535	105,180	+31,645
General Support Services......................	2,050	1,483	1,499	2,608	+1,109
Total...	93,251	105,630	103,129	138,934	+35,805

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Health Services	$891	$866	$785	$900	+$115

These funds are for health services for Headquarters and Field office employees. The services are provided by the U.S. Public Health Service (PHS) and, where PHS facilities are not available, by private medical facilities. The proposed funding levels anticipate rate increases for the medical services provided, as well as expanded health services being provided.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Training Enrollments	$1,221	$758	$805	$804	-$1

These funds are for fees and tuitions associated with HUD's staff training and development program. Costs include tuitions and fees for special courses and after-hour studies which are designed to improve employee job performance and to enhance potential for career advancement. The relatively high funding level in 1989 reflects a special training effort to enhance the Department's loan management capabilities. The 1990 and 1991 funding levels reflect a return to normal levels for this type of training.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Training Support--Federal Personnel	$1,892	$1,784	$2,150	$2,000	-$150

These funds are to conduct in-house training of HUD staff. A significant portion of the funds are used to support training facilities, principally to house trainees in those instances where a live-in situation is deemed the most effective means of providing the subject training. Such facilities are located at Headquarters and at "floating" centers in the Field, as required. Funds are also provided for the development of curricula and course materials, as well as for the actual delivery of training by contractor personnel, when required. The funding levels proposed for 1990 and 1991 provide for enhanced efforts to improve the quality and productivity of staff in concert with Departmental reform initiatives, as well as to train them in program additions, changes and revisions which result from legislative, regulatory and procedural changes, such as the Fair Housing Amendments of 1988. Additionally, training of staff in the use of personal computers and word processing equipment is continuing to support the increased procurement and use of such equipment.

The following table provides funding details on the items discussed.

TRAINING SUPPORT

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Training Facilities (Headquarters and Field)	$946	$993	$1,200	$1,200	...
Training Development	377	450	550	450	-$100
Management Training Program	332	170	170	120	-50
Field Contracts	237	171	230	230	...
Total Training Support	1,892	1,784	2,150	2,000	-150

Salaries and Expenses, Housing and Urban Development

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Training Support--Non-Federal Personnel.......	$25	$175	$125	$125	...

These funds are for the training of non-Federal personnel. Proposed 1990 and 1991 funding includes funds for outreach training for small minority and women-owned business owners to familiarize them with HUD and other Government programs under the auspices of the Office of Small and Disadvantaged Business Utilization, which is included in the Departmental Management activity; to familiarize recipients of HUD program funds with their responsibilities under the provisions of HUD Title VI and Section 109 (Fair Housing and Equal Opportunity), and technical symposia (Community Planning and Development). Greater details are provided in the Justifications for those activities.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Storage of Household Goods.....................	$123	$83	$75	$75	...

These funds are required for the storage of household goods and personal effects for employees being transferred from one official duty station to another. The estimated obligations are consistent with the estimated requirements reflected under the estimate for Transportation of Household Goods.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Audit Services................................	$987	$660	$579	$720	+$141

This item includes funds for mandatory audits of the Federal Housing Administration (FHA) and the Government National Mortgage Association (GNMA) which are conducted by the General Accounting Office (GAO) and billed to HUD. Beginning in 1990, funds for audit services required by the Office of Inspector General are requested in that activity's Budget.

The following table identifies the funding for the various audit services included in the summary data above.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
FHA..	$660	$560	$500	$600	+$100
GNMA.......................................	72	100	79	120	+41
OIG..	255	...	...	...	...
Total Audit Services........................	987	660	579	720	+141

The above estimates reflect the best data currently available from the GAO about audits anticipated for the FHA and GNMA. The deletion of funds for the OIG in 1990 reflects the transfer of that funding to the separate appropriation established in 1990 for the OIG.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Library Services..............................	$626	$639	$636	$650	+$14

These funds represent the contractual cost for the operation of the Departmental Library at Headquarters, and ancillary support received from or through the Library of Congress. The proposed funding levels are consistent with anticipated operating levels and costs.

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	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Stenographic Services........................	$103	$60	$54	$60	+$6

This represents the cost of transcribing court proceedings and stenographic hearings. The funding estimates are consistent with anticipated litigation levels.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Management Studies...........................	$2,480	$1,672	$1,200	$3,225	+$2,025

This represents the cost of management analysis services, including studies related to staff skills requirements. The funding for these services are exclusively in the Administration and Staff Services activity. The funds are used for obtaining assistance in the conduct of reviews to ensure compliance with the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123, and to provide a capability to conduct short-term management analysis assistance. The decrease from the Budget level to the current level in 1990 reflects reductions in funding availability. The significant increase in 1991 of approximately $2 million will support studies related to the Secretary's reform initiatives, including staffing needs assessments, procedures reviews, studies expected to be required by the Chief Financial Officer mandated by the HUD Reform Act, and other management analyses, as required.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Data and Statistical Services................	$1,011	$804	$873	$910	+$37

This subobject represents the cost of gathering data and related categorizing of such data in support of Departmental studies, evaluations and reports, and includes items such as housing vacancy surveys, census materials, and construction and manufacturing data. It excludes routine census publications, which are included under the object class supplies and materials.

The proposed funding levels reflect the sum of the requirements for the individual activities which use these services. The specific requirements are identified and discussed in the Justifications material for those activities.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Public Information Services..................	$182	$334	$333	$328	-$5

This subobject represents the cost of preparing and promulgating information about the Department's activities, and includes the preparation of exhibit materials, brochures, pamphlets, billboards, etc., as well as the conduct of meetings designed to obtain such ends. It does not include the cost of printing such items. The funds are almost exclusively used by the Office of Public Affairs, a component of the Departmental Management activity.

The increasing funding for 1990 and 1991, as compared to 1989, reflects new and additional efforts in support of the Fair Housing Amendments of 1988, as well as an increase in communications support services to provide information on Departmental priorities such as enterprise zones, homeless efforts, resident management and public housing homeownership.

Salaries and Expenses, Housing and Urban Development

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Credit Information...........................	$328	$200	$181	$200	+$19

This subobject represents funds used to obtain credit information required to conduct the Department's programs. The funding levels indicated represent the best estimates available.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Section 504 Technical Assistance.............	$196	$450	$307	$500	+$193

This represents the cost of services to support implementation of the provisions of Section 504 of the Rehabilitation Act of 1973. This Act provides that handicapped persons are to have equal access to all Federally assisted programs and activities. The increases in 1990 and 1991 over 1989 reflect anticipated increases in complaints due to the recent promulgation of regulations related to this legislation, as well as increased emphasis resulting from the Fair Housing Amendments of 1988.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Technical Services...........................	$6,290	$12,228	$11,117	$12,184	+$1,067

These funds are for specialized technical services, not otherwise identified. They include services such as actuarial services, translation services, enforcement testing, manual preparation and debt collection, as well as funds for the operation of the Department's payroll by another Government agency.

The decrease of $1,111 thousand from the 1990 Budget to the current estimate reflects a reassessment of needs in light of constrained funding, and decisions to eliminate certain lesser priority projects. The decrease also reflects lower than projected costs for Title VIII investigation contracts.

The additional $1,067 thousand proposed for 1991 is the net effect of the addition of $1.0 million to support the Temporary Mortgage Assistance Payments (TMAP) program, $125 thousand for Local Area Network (LAN) installations and an increase of $100 thousand in the payment to the Department of Agriculture's National Finance Center for payroll services, partially offset by some reduction of contract expenses for Title VIII investigations under the Fair Housing Amendments of 1988 on the assumption that some agencies will become certified and begin to operate under FHAP funding.

A discussion of specific requirements is included under the Administrative Expenses section of the various activities which require such services.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Housing Assistance Council Support...........	$1,000	...	$971	...	-$971

The Housing Assistance Council is a National nonprofit organization which provides assistance to housing and community development efforts in rural areas. Its activities include the operation of revolving funds which provide seed loans for predevelopment purposes, technical assistance, the conduct of training, and the issuance of publications and research in support of rural housing and development. The 1989 and current 1990 levels are in accordance with Congressional mandates, including the appropriation cut and sequestration in 1990. No funds are proposed for 1991.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Visual Arts Services........................	$342	$271	$246	$246	...

These funds are for the preparation of visual arts materials associated with printed matter or oral presentations, and include such items as photography, art work and graphics done by either in-house staff or through contracts. A slight decrease is reflected in 1990, consistent with funding availability. Level funding is proposed in 1991.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Repairs and Alterations to Space.............	$950	$578	$774	$849	+$75

These funds are for space alterations, realignments, telephone and electrical outlet changes, etc., in all offices other than the HUD Headquarters building. Alterations for that building are included under the following subobject. These services are performed by or through the General Services Administration in Government-owned or Government-leased space occupied by the Department.

The proposed funding is to provide for the space alterations required to implement the Department's continuing plan to make the most efficient use of available space, and is consistent with proposed staffing levels.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
HUD Headquarters Building Operation and Maintenance................................	$4,956	$1,619	$1,625	$1,978	+$353

This represents the costs of operating and maintaining the HUD Headquarters building. It includes cleaning, security, painting, repairs and alterations, as well as routine maintenance and operation functions related to electrical, heating, air conditioning, plumbing and elevator systems. The Department was delegated the responsibility for this function on October 1, 1984, from the General Services Administration (GSA) and it is the only building for which the Department has such responsibilities. The 1990 reduction, as compared to 1989, is consistent with the change in the method of funding the delegation of authority as discussed under space rental. The increase in 1991 reflects some additional projects which would be needed to accommodate the higher staffing levels requested.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
ADP Equipment Maintenance and Repair.........	$1,566	$2,662	$2,661	$2,676	+$15

These funds are for the maintenance and repair of the Department's microcomputer and ancillary equipment, such as LANs, printers and optical scanners. The upward trend in 1990, and then level funding in 1991, supports the annual increment of microcomputers and ancillary equipment being procured by the Department in order to utilize the efficiencies made available through technological advances.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Other Equipment Maintenance and Repair.......	$1,675	$2,177	$2,177	$2,189	+$12

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
ADP Equipment Maintenance and Repair..........	$1,566	$2,662	$2,661	$2,676	+$15

These funds are for the maintenance and repair of the Department's microcomputer and ancillary equipment, such as LANs, printers and optical scanners. The upward trend in 1990, and then level funding in 1991, supports the annual increment of microcomputers and ancillary equipment being procured by the Department in order to utilize the efficiencies made available through technological advances, and then a levelling off of incremental requirements.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Other Equipment Maintenance and Repair.......	$1,675	$2,177	$2,177	$2,189	+$12

This represents the costs of repairing and refurbishing furniture and maintaining and repairing office equipment, such as quick copy machines, automated files, and facsimile transmission equipment. It excludes such costs for ADP equipment which are included in a similar but separate category discussed immediately above.

The Department continues to expand its use of technologically advanced equipment to achieve the benefits of office automation. Thus, as the use of such equipment expands, the costs in this area increase. Funding changes from 1989 to 1990 reflect that pattern, with a levelling off of requirements in 1991.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Building Services............................	$505	$464	$421	$527	+$106

These funds are for building services which are not included in the base rental rates paid to the General Services Administration (GSA). Such services include extra guard and janitorial services, and heating and air conditioning during other than normal business hours for all offices other than the HUD Headquarters building, which is funded separately as discussed above.

The increase requested for 1991 anticipates pricing changes for such services.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Data Processing Services......................	$63,382	$75,663	$73,535	$105,180	+$31,645

These funds are required for automated data processing services which are provided on a reimbursable basis through the Department's Working Capital Fund (WCF). The reduction from the 1990 Budget to the 1990 current estimate reflects the appropriation cut and sequestration this year. The 1991 increase is primarily for two initiatives: continuation of the conversion of the Department's ADP capacity to the HUD Integrated Information Processing Service (HIIPS) and increased systems development and systems enhancements of the Department's management and financial information systems to support reform initiatives. These are discussed in greater detail in the WCF section of this volume of the Justifications.

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The following table summarizes the actual 1989 obligations and the estimates for 1990 and 1991 for the individual items in this category and is followed by a brief description and discussion of the proposed funding levels for each item. In general, the proposed funding levels are consistent with the proposed staffing levels augmented to support the growth of office automation.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Training Supplies..........................	$301	$250	$250	$251	+$1
ADP Supplies..............................	2,394	2,482	2,463	2,472	+9
Subscriptions.............................	1,006	896	896	899	+3
HUD Headquarters Building Supplies......	30	10	10	10	...
Office Supplies...........................	2,031	1,746	1,746	1,753	+7
Other Supplies and Materials.............	1,490	1,486	1,765	1,770	+5
Total.....................................	7,252	6,870	7,130	7,155	+25

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Training Supplies..........................	$301	$250	$250	$251	+$1

These funds are for training supplies and materials for Headquarters, Field offices and training centers. This estimate includes training materials used for in-house training courses, as well as books and supplies needed by individuals participating in authorized training courses at colleges and universities. The decrease from 1989 to 1990 reflects the transfer of funding responsibility for appropriate items required by the OIG to the new separate appropriation.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
ADP Supplies..............................	$2,394	$2,482	$2,463	$2,472	+$9

This subobject represents the cost of supplies and materials to support the Department's microcomputer capabilities which are funded directly under the Salaries and Expenses, HUD account. The microcomputer capability to be supported reflects an ongoing program to expand the Department's inventory and use of microcomputers to increase staff efficiency and productivity through utilization of computer technology.

The funds are to procure initial libraries of off-the-shelf software as well as the required paper, tapes, disks, cables, etc. The relatively stable funding levels proposed for 1990 and 1991 reflect a shift toward LAN technology and the purchase of LAN versions of software, rather than individual copies of software for each microcomputer work station.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Subscriptions.............................	$1,006	$896	$896	$899	+$3

These funds provide for purchasing subscriptions to newspapers, periodicals, pamphlets, documents, and other miscellaneous materials for use by or through the Headquarters Library and for Field office use. It does not include the cost of reference and law books, which are identified separately under furniture and equipment. A relatively even funding level is proposed.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in	Thousands)	
HUD Headquarters Building Supplies......	$30	$10	$10	$10	...

This subobject identifies the cost of supplies associated with repair, alterations, operation and maintenance of the HUD Headquarters building which are not provided by the contractor who is responsible for such services. The requirement has been established consistent with the delegation from GSA to HUD of the responsibility for the operation and maintenace of the HUD Headquarters building. The reduction proposed for 1990 is consistent with the change to the funding of Headquarters operations discussed under space rental.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in	Thousands)	
Office Supplies.........................	$2,031	$1,746	$1,746	$1,753	+$7

This subobject represents the costs of pencils, paper, pads, stenographic notebooks, blank books and pads, standard forms (except when specifically printed or assembled to order) and property of little monetary value, such as desk trays, pen sets and calendar stands. The proposed funding levels are generally based on prior years experience, but also reflect the growing use of automated equipment over manual operations.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in	Thousands)	
Other Supplies and Materials............	$1,490	$1,486	$1,765	$1,770	+$5

This subobject represents all supplies and materials costs not otherwise identified. The proposed funding levels are consistent with prior years experience, changing staff levels and cost increases.

FURNITURE AND EQUIPMENT

This classification includes personal property of a more or less durable nature--that is, which may be expected to have a period of service of a year or more, after it is put into use, without material impairment of its physical condition. It includes charges for services in connection with the initial installation, when performed under contract, and transportation charges paid initially by vendors. The items are further categorized as capitalized or non-capitalized. For this purpose, capitalized items are those which have a unit cost of $5,000 or more and non-capitalized items are those which have a unit cost of less than $5,000.

The following table summarizes the actual 1989 obligations and the estimates for 1990 and 1991 for the individual items in this category and is followed by a brief description and discussion of the proposed funding levels for each item.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in	Thousands)	
NON-CAPITALIZED					
Furniture and Fixtures.................	$2,182	$1,060	$793	$1,484	+$691
Office Equipment.......................	429	715	534	1,003	+469
Training Equipment.....................	90	15	11	21	+10
Books..................................	336	325	243	454	+211
ADP Equipment..........................	4,975	4,947	4,495	8,051	+3,556
Other Equipment........................	174	121	90	113	+23
Subtotal, Non-Capitalized...........	8,186	7,183	6,166	11,126	+4,960

Salaries and Expenses, Housing and Urban Development

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
CAPITALIZED					
Furniture and Fixtures................	158	...	...	...	...
Office Equipment......................	351	...	...	...	...
Training Equipment....................	...	...	...	...	...
ADP Equipment.........................	1,811	692	431	808	+377
Other Equipment.......................	38	...	...	...	...
Subtotal, Capitalized...............	2,358	692	431	808	+377
Total...............................	10,544	7,875	6,597	11,936	+5,337

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Furniture and Fixtures (Non-Capitalized)	$2,182	$1,060	$793	$1,484	+$691

These funds are required for the procurement of desks, chairs, bookcases, file cabinets, shelving, carpets, draperies and similar standard office items, including bank type partitions and screens, all of which have unit costs of less than $5,000. The relatively high level of funding during 1989 reflects the procurement of modular furniture to provide adequate office environments while minimizing office space requirements. The decrease in the 1990 current estimate from the Budget reflects funding reductions this year, and shifting of funds to other higher priorities. The increase in 1991 reflects a continuation of the modular furniture effort at a somewhat lower level, as well as the procurement of ergonomic furniture in support of the Department's office automation efforts.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Office Equipment (Non-Capitalized)......	$429	$715	$534	$1,003	+$469

This subobject identifies the cost of standard office equipment, such as typewriters, quick copy machines and calculators. The decrease in 1990 from the Budget reflects some increase in staffing above 1989, but also funding constraints this year. The proposed funding for 1991 provides for replacement and augmentation, where appropriate, of the more traditional types of equipment, as well as new equipment to support an expansion of office automation and new requirements to support proposed staffing levels.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Training Equipment (Non-Capitalized)....	$90	$15	$11	$21	+$10

This represents the cost of specialized equipment, such as movie and slide projectors, screens and tape recording equipment, the unit cost of which is less than $5,000, used to execute the Department's training programs. The higher actual obligations in 1989 reflect purchases associated with training requirements related to office automation. The 1990 current estimate is slightly lower than the Budget, but the 1991 request reflects anticipated increases to support the higher staffing levels proposed.

(Dollars in Thousands)

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Books..................................	$336	$325	$243	$454	+$211

Salaries and Expenses, Housing and Urban Development

These funds provide for reference and law books required for use in the Headquarters Library and by the Regional and Field offices. The proposed level funding provides for new books, supplements, addenda, etc.--principally related to legal matters--consistent with historical experience. The decrease in 1990 from the Budget to the current estimate reflects budgetary constraints this year, and the 1991 level anticipates funding needs that were postponed from 1990.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
ADP Equipment (Non-Capitalized)..........	$4,975	$4,947	$4,495	$8,051	+$3,556

These funds are for the procurement of microcomputers and ancillary equipment such as printers, modems and additional boards to upgrade memory and provide specialized capabilities, and to support the Department's program to expand the use of microcomputer technology. The program builds upon the Department's current automated data processing capabilities obtained from its central facility, which is provided through the Working Capital Fund (WCF). The proposed funding level continues expansion of the Department's office automation efforts. The decrease of $452 thousand from the 1990 Budget to the 1990 current estimate reflects efforts to continue this program, while also remaining consistent with staff needs and other priority funding requirements. The funding level proposed for 1991 will support the procurement of microcomputers and related equipment for the higher staff levels requested.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Other Equipment (Non-Capitalized).......	$174	$121	$90	$113	+$23

This represents the cost of all equipment not otherwise identified, such as addressograph machines, mimeograph equipment, lecterns, etc. The 1990 current estimate reflects lower requirements following relatively high obligations in 1989. The 1991 request represents a slight increase over 1990.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
ADP Equipment (Capitalized).............	$1,811	$692	$431	$808	+$377

This category funds all ADP equipment procurement for which the unit cost exceeds $5,000. Equipment of this category procured by the Department directly from the "Salaries and Expenses, HUD" account is generally limited to core units for Local Area Networks (LANs) which permit the connecting of a number of microcomputers into a single network in order to maximize their use for various cross-cutting functions. The establishment of such networks are essential and central to the Department's program to fully employ the benefits available through microcomputer technology. The decrease in 1990 reflects a lower funding level following high obligations in this area during 1989. The 1991 request reflects estimated requirements for enhanced networks, consistent with available technology and proposed staffing levels.

INSURANCE CLAIMS AND INDEMNITIES

This object class provides for the Federal Government's "self-insurance" costs, including court-ordered payments. The following material describes and indicates the funding associated with the two subobjects included in this object class.

Salaries and Expenses, Housing and Urban Development

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Indemnities for Property Damages or Personal Injuries	$46	$50	$50	$54	+$4
Equal Access to Justice Act Payments	115	200	168	184	+16
Total	161	250	218	238	+20

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Indemnities for Property Damages or Personal Injuries	$46	$50	$50	$54	+$4

These funds provide indemnification for property damages or personal injuries consistent with Federal policies and regulations. No change to the funding level is proposed in 1990. A minor increase of $4 thousand is proposed for 1991.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Equal Access to Justice Act Payments	$115	$200	$168	$184	+$16

This subobject identifies costs resulting from the Equal Access to Justice Act. The Act requires that, in certain instances, the Department pay the legal fees of individuals who have successfully brought suit against the Department. A slight decrease in the 1990 current estimate from the Budget is more consistent with historical requirements. A minor increase of $16 thousand above 1990 is proposed for 1991.

ACTIVITY FUNDING SOURCES

The following three tables identify the sources of funds for each budget activity for fiscal years 1989, 1990 and 1991.

DISTRIBUTION OF OBLIGATIONS BY BUDGET ACTIVITY - 1989

	APPROPRIATION	FHA FUND TRANSFER	FEES	OTHER	TOTAL OBLIGATIONS
1. Housing Programs	$48,875	$200,656	$1,371 a/	$300 e/	$251,202
2. Public and Indian Housing	56,825	...	300 b/	...	57,125
3. Government National Mortgage Association	21	...	...	4,226 c/	4,247
4. Community Planning and Development	57,975	...	50 b/	...	58,025
5. Policy Development and Research	12,781	...	...	...	12,781
6. Fair Housing and Equal Opportunity	30,658	...	...	1,962 d/	32,620
7. Departmental Management	9,666	...	...	133 d/	9,799
8. General Counsel	9,029	3,883	...	526 d/	13,438
9. Field Legal Services	9,750	3,953	...	151 d/	13,854
10. Inspector General	18,492	7,519	650 b/	...	26,661
11. Administration and Staff Services	37,016	102,735	...	718 d/	140,469
12. Field Direction and Operational Support	12,016	15,333	...	...	27,349
13. Field Administration	29,272	44,340	...	...	73,612
Total	332,376	378,419	2,371	8,016	721,182

a/ Consists of $506 thousand from Interstate Land Sales Registration fees and $865 thousand from Manufactured Housing Inspection fees.

b/ Transfers from the Consolidated Fee Account.

Salaries and Expenses, Housing and Urban Development

c/ Transfers from the various funds of the Government National Mortgage Association.

d/ Transfer from Urban Development Action Grants, pursuant to the Dire Emergency Supplemental Appropriations Act, (Public Law 101-45).

e/ Miscellaneous reimbursements and transfers.

DISTRIBUTION OF OBLIGATIONS BY BUDGET ACTIVITY - 1990

	APPROPRIATION	FHA FUND TRANSFER	FEES/ OTHER	APPROP. TRANSFER	TOTAL OBLIGATIONS
1. Housing Programs	$23,040	$270,315	$1,469 a/	$10,537	$305,361
2. Public and Indian Housing	61,740	...	500 b/	...	62,240
3. Government National Mortgage Association	...	...	5,616 c/	...	5,616
4. Community Planning and Development	59,305	...	420 b/	571	60,296
5. Policy Development and Research	13,200	...	...	126	13,326
6. Fair Housing and Equal Opportunity	39,244	...	...	375	39,619
7. Departmental Management	10,854	...	...	104	10,958
8. General Counsel	12,416	3,129	...	149	15,694
9. Field Legal Services	11,044	3,810	...	142	14,996
10. Administration and Staff Services	56,637	48,133	...	1,001	105,771
11. Field Direction and Operational Support	11,131	15,768	...	257	27,156
12. Field Administration	32,795	44,504	...	738	78,037
Total	331,406	385,659	8,005	14,000	739,070

a/ Consists of $600 thousand from Interstate Land Sales Registration fees and $869 thousand from Manufactured Housing Inspection fees.

b/ Transfers from the Consolidated Fee Account.

c/ Transfers from the various funds of the Government National Mortgage Association.

DISTRIBUTION OF OBLIGATIONS BY BUDGET ACTIVITY - 1991

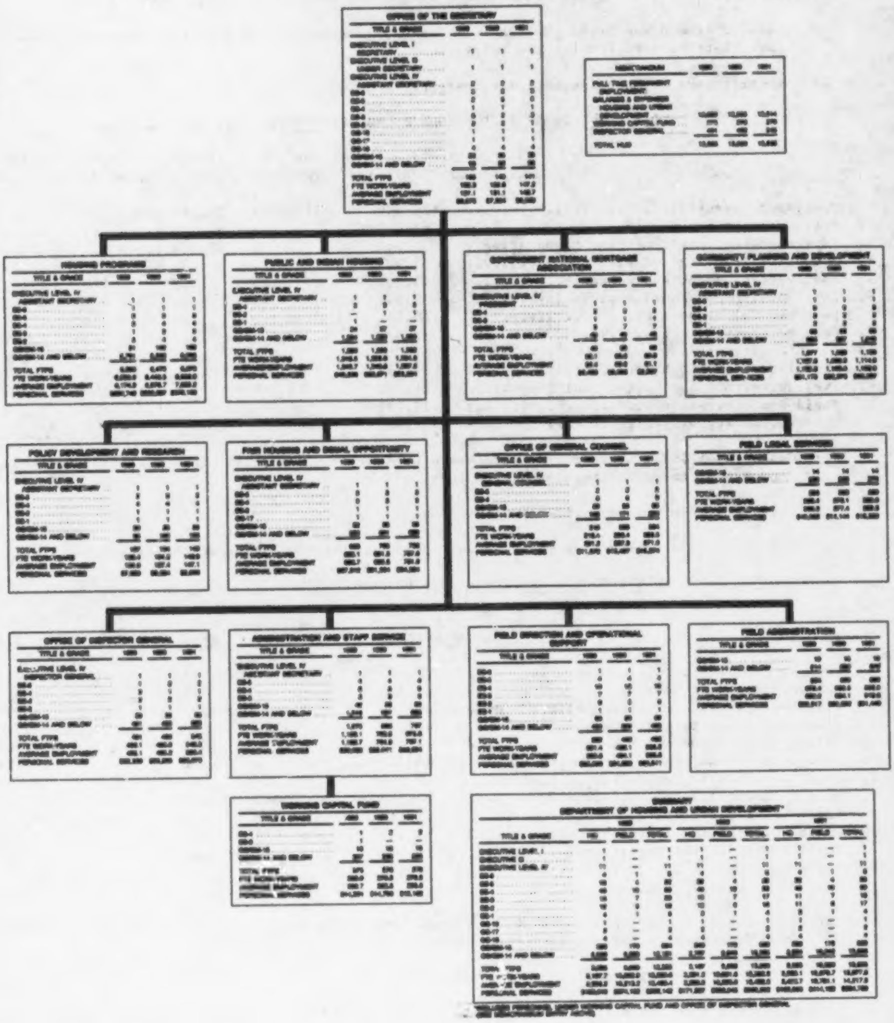
	APPROPRIATION	FHA FUND TRANSFER	FEES	OTHER	TOTAL OBLIGATIONS
1. Housing Programs	$70,894	$256,388	$1,900 a/	...	$329,182
2. Public and Indian Housing	64,412	...	405 b/	...	64,817
3. Government National Mortgage Association	...	...	...	$6,000 c/	6,000
4. Community Planning and Development	62,176	...	104 b/	...	62,280
5. Policy Development and Research	14,464	...	...	...	14,464
6. Fair Housing and Equal Opportunity	43,821	...	...	...	43,821
7. Departmental Management	12,558	...	...	...	12,558
8. General Counsel	14,780	3,089	...	...	17,869
9. Field Legal Services	12,368	3,883	...	...	16,251
10. Administration and Staff Services	53,174	81,928	...	...	135,102
11. Field Direction and Operational Support	14,385	15,150	...	...	29,535
12. Field Administration	63,092	19,904	...	...	82,996
	426,124	380,342	2,409	6,000	814,875

a/ Consists of $1,000 thousand from Interstate Land Sales Registration fees and $900 thousand from Manufactured Housing Inspection fees.

b/ Transfers from the Consolidated Fee Account.

c/ Transfers from the various funds of the Government National Mortgage Association.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)


OFFICE OF THE SECRETARY
MEMORANDUM
HOUSING PROGRAMS
PUBLIC AND INDIAN HOUSING
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
COMMUNITY PLANNING AND DEVELOPMENT
POLICY DEVELOPMENT AND RESEARCH
FAIR HOUSING AND EQUAL OPPORTUNITY
OFFICE OF GENERAL COUNSEL
FIELD LEGAL SERVICES
OFFICE OF INSPECTOR GENERAL
ADMINISTRATION AND STAFF SERVICE
FIELD DIRECTION AND OPERATIONAL SUPPORT
FIELD ADMINISTRATION
WORKING CAPITAL FUND
SUMMARY DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
TITLE & GRADE
TOTAL FTPS
FTE WORK-YEARS
AVERAGE EMPLOYMENT
PERSONAL SERVICES

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF INSPECTOR GENERAL

For fiscal year 1989 and prior years, the Office of Inspector General was an activity within the appropriation "Salaries and Expenses, HUD." In 1990, a separate appropriation was mandated, pursuant to the Inspector General Act Amendments of 1988. Actual 1989 amounts present the Inspector General as included within the appropriation for "Salaries and Expenses." Estimates for 1990 and 1991 show the Office of Inspector General as a separate appropriation and include sums previously funded centrally within the "Salaries and Expenses" appropriation.

APPROPRIATION HIGHLIGHTS

The following table summarizes the funding sources and personnel included in this request:

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
From Appropriation Bill:					
Office of Inspector General...........	($18,884)	$22,681	$24,481	$29,283	+$4,802
Transfers from FHA Fund..............	(7,127)	6,431	6,584	8,557	+1,973
Subtotal..........................	(26,011)	29,112	31,065	37,840	+6,775
Approp. Act Red. (Sec. 517).........	(...)	...	-481 a/	...	+481
Sequestration.......................	(...)	...	-398 b/	...	+398
Other Transfers					
Consolidated Fee Account.............	(650)	500	509	509	...
Total Obligations..................	(26,661)	29,612	30,695	38,349	+7,654
Full-Time Permanent Appointments, End of Year..........................	(491)	492	492	545	+53
Full-Time Equivalents..................	(493.1)	493.0	493.0	548.2	+55.2
Staff-Years..........................	(495.1)	495.2	495.2	550.4	+55.2

a/ Includes $379 thousand from appropriations and $102 thousand from FHA transfers.

b/ Includes $307 thousand from appropriations and $91 thousand from FHA transfers.

SUMMARY OF BUDGET REQUEST

The funding request for 1991 is $38,349 thousand, an increase of $7,654 thousand to the 1990 current estimate of $30,695 thousand. Staffing levels of 545 full-time permanent positions, and 550.4 staff-years are proposed, which are increases of 53 FTPs and 55.2 staff-years from the 1990 levels. The higher staffing levels are consistent with the increased workload anticipated for 1991. This is discussed in greater detail later in this Justification.

The funding increase is the result of an increase of $2,748 thousand for personal services and an increase of $4,906 thousand for support costs. The increase for personal services costs is consistent with the staff-year increase. The increase for support costs is principally for travel, audit services and equipment.

Since our funding request does not include funds for Public Law 101-173, concerning authorized unscheduled overtime pay, we will have to reduce our authorized ceiling by approximately 2 FTP's in order to cover those additional costs.

Office of Inspector General

FUNDING

The following table summarises this request by object class.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Personal Services	$22,359	$21,769	$23,325	$26,073	+$2,748
Travel and Transportation of Persons	2,019	2,316	2,069	2,758	+689
Transportation of Things	54	50	50	60	+10
Rent, Communications and Utilities	61	2,711	2,752	3,133	+381
Printing and Reproduction	55	82	60	98	+38
Other Services	2,067	2,184	1,843	5,043	+3,200
(ADP Services)	(1,240)	(637)	(637)	(2,757)	(+2,120)
(Selected Contracts)	(770)	(1,056)	(737)	(1,501)	(+764)
Supplies and Materials	44	275	323	410	+87
Furniture and Equipment	1	225	273	772	+499
Insurance and Indemnities	1	...	...	2	+2
Total Obligations	26,661	29,612	30,695	38,349	+7,654

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN 1990 BUDGET

The actual 1989 obligations of $26,661 thousand were $88 thousand less than the previous estimate of $26,749 thousand. The minor deviation is primarily due to slightly less than anticipated support costs partially offset by a small increase in personal services.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 current estimate varies from the 1990 Budget estimate as follows:

	(Dollars in Thousands)
Budget estimate	$29,612
Add increase enacted by Congress to support higher staff level	+1,962
Deduct for Sequestration	-398
Deduct for Appropriations Act Reduction (Section 517)	-481
Current 1990 estimate	30,695

The changes to the funding requirements for 1990 are the result of the following:

-- an increase of $1,962 thousand which reflects increased costs associated with the level of funding considered necessary to support 528.2 staff-years recommended in Conference Report on the 1990 Appropriations Act; and

-- a total decrease of $879 thousand ($398 thousand resulting from sequestration, and $481 thousand resulting from the Appropriations Act Reduction (Section 517)), which reduced the staff that could be supported to the 1990 Budget level of 495.2 staff-years.

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3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$26,661	$30,695
Changes to staffing level	...	+1,797
Fiscal year 1990 pay raise	+580	+238
Fiscal year 1991 general pay raise	...	+671
Changes in average personal services costs	+386	...
Fiscal Year 1991 Executive pay raise	...	+42
Change to travel costs	+150	+689
Change to rent, communications and utilities	+2,650	+381
Change to training costs	+135	+191
Change to audit and general support services costs	+95	+640
Change to security investigations costs	-94	+75
Change to ADP services costs	-603	+2,120
Change to supplies costs	+278	+87
Change to furniture and equipment procurement costs	+196	+499
Other changes in support costs	+261	+224
Total obligations	30,695	38,349

There are net increases of $966 thousand in 1990 and $2,748 thousand in 1991 for personal services costs. These changes reflect the following:

- an increase in 1991 of $1,797 thousand to support an increase of 55.2 staff-years;
- the pay raise which became effective during January 1990 is estimated to require an increment of $580 thousand during 1990, and a further increment of $238 thousand during 1991;
- the cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $671 thousand shown would cover a portion of the total requirement;
- the cost of the executive pay raise which would become effective in January 1991 is also expected to be largely absorbed. The $42 thousand shown would cover a portion of this requirement; and
- for 1990, average personal services costs have not decreased as originally projected. Instead, the average cost per staff-year is approximately the same level as in 1989 requiring about $386 thousand. No significant increase is projected for 1991.

Support costs are projected to increase by $3,068 thousand during 1990, and by $4,906 thousand in 1991. The additional costs result primarily from the following:

- increases of $150 thousand and $689 thousand for 1990 and 1991, respectively, for travel. These increases reflect anticipated workload, travel rates, and for the first time in 1990, included training travel. The 1991 increase also reflects the needs associated with the additional staff, and other travel intensive projects;
- the addition in 1990 of rent, communications and utility costs that were in prior years centrally funded result in increases of $2,650 thousand and $381 thousand in 1990 and 1991, respectively;
- the addition in 1990 of contract training costs that were in prior years centrally funded result in an increase of $135 thousand in 1990. The further increase of $191 thousand in 1991 reflects additional training needs for current and new staff, including meeting the new Governmentwide audit standards, as recently recommended by GAO;
- increases in audit and general support services costs of $95 thousand in 1990 and $640 thousand in 1991 result from an expanded tenant integrity program in 1990, and in 1991 an expanded responsibility for annual audits of HUD's revolving funds and their consolidation with the Departments's other audits into a single Departmental report;

Office of Inspector General

— a decrease of $94 thousand in 1990 due to budget constraints and a slight reduction in requests for security investigations, and an increase of $75 thousand in 1991 to compensate for rate increases;

-- a decrease of $603 thousand in ADP services from the actual 1989 level of usage. Because the OIG had a separate appropriation in 1990, and because of overall funding constraints, this original Budget could not be adjusted. The $2,120 thousand increase in 1991 is necessary to fully pay the Working Capital Fund for the ADP services that will be utilized;

— supply costs increased in 1990 by $278 thousand in order to cover the costs of general office supplies that the OIG had previously obtained directly from central administrative stores. Actual needs so far in 1990 indicate that a further increase of $87 thousand is required in 1991 to provide for the OIG's needs; and

-- furniture and equipment reflect costs which prior to 1990 were provided centrally in Headquarters. The increase of $196 thousand in 1990 reflects a funding level consistent with pre-1990 levels. The $499 thousand increase in 1991 reflects the need to address equipment requirements which are being deferred from 1990, as well as to replace worn and obsolete copiers, automated files, and microfilm readers, and establish a local area network (LAN).

A description of the various object classifications, other than personnel services, that are used by the Office of Inspector General is provided on the following pages. The Office of Inspector General first had a separate appropriation in 1990. Prior to 1990, it was included in the "Salaries and Expenses, HUD" appropriation. All years are shown on a comparable basis in the discussion below.

TRAVEL AND TRANSPORTATION OF PERSONS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Travel....................................	$2,019	$2,316	$2,069	$2,758	+$689

This category includes funds for the transportation of Government employees or other persons who travel under the auspices of the Federal Government, their per diem allowances when in authorized travel status, and other expenses incident to travel which are paid directly by the Government or reimbursed to the traveler. It consists of travel both away from the official duty station and in and around an employee's official duty station.

Office of Inspector General staff travel extensively to carry out their audit and investigative responsibilities. Audit staff travel to the offices of the program participants and contractors to perform external audits, contract audits, evaluations of pricing proposals, operational surveys and often parts of internal audits. Investigations also require extensive travel to interview witnesses and subjects of the investigations, and to examine records. OIG staff are located at Regional Offices and at 30 Field Offices.

The 1991 request is for $2,758 thousand, an increase of $689 thousand to the 1990 current estimate of $2,069 thousand. The original 1990 Budget estimate was reduced to a minimal level due to Congressionally directed budget reductions. The 1991 total consists of $141 thousand for training travel based on historical experience and planned training for OIG staff. The remainder, $2,617 thousand, is for audit and investigative travel, and reflects the needs of the proposed staffing level and workload.

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TRANSPORTATION OF THINGS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Transportation of Things................	$54	$50	$50	$60	+$10

This classification consists of charges for the transportation of things and the care of such things while in the process of being transported. It includes rental trucks and other transportation equipment, and reimbursement to Government personnel for authorized movement of household effects or house trailers.

The 1991 request is for $60 thousand, an increase of $10 thousand to the 1990 current estimate. The Office of Inspector General uses such funds when employees are permanently reassigned from one duty station to another.

RENT, COMMUNICATIONS AND UTILITIES

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Rent, Communications and Utilities................................	$61	$2,711	$2,752	$3,133	+$381

The funds under this object classification provide for all rental costs, both space and equipment, as well as communications services and utilities.

The 1991 request is for $3,133 thousand, an increase of $381 thousand above the 1990 current estimate of $2,752 thousand. The estimates for the three largest items are space rental ($2,283 thousand), the Federal Telecommunications System (FTS) ($500 thousand) and postal services ($291 thousand).

PRINTING AND REPRODUCTION

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Printing and Reproduction...............	$55	$82	$60	$98	+$38

The funds included in this object class are for the cost of contractual printing and reproduction services, and related composition and binding operations performed by or through the Government Printing Office (GPO).

The 1991 request is for $98 thousand, an increase of $38 thousand from the 1990 current estimate of $60 thousand. This reflects increased printing costs, plus the addition of new printing jobs which had previously been paid by the Department; such as our Semiannual Report to Congress.

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OTHER SERVICES

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Security Investigations	$470	$329	$375	$450	+$75
Audit Services	255	677	200	795	+595
General Support Services	45	50	162	256	+94
Automated Data Processing Services	1,240	637	637	2,757	+2,120
All Other	57	491	469	785	+316
Total	2,067	2,184	1,843	5,043	+3,200

This object classification includes the cost of all services not identified in other object classes. An explanation of each of the above subobject classes follows.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Security Investigations	$470	$329	$375	$450	+$75

These funds are required for the conduct of security investigations of potential employees in selected sensitive and critical positions, including automated data processing positions. The investigations are performed by the U.S. Office of Personnel Management on a reimbursable basis. The 1991 estimates are based upon the most recent information regarding the number and cost of investigations to be conducted.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Audit Services	$255	$677	$200	$795	+$595

This item includes funds for audit services performed for HUD by commercial firms or States, or on a reimbursable basis by other Federal agencies--such as the Department of Health and Human Services (HHS) and the Defense Contract Audit Agency (DCAA)--in instances where it is more economical and efficient for it to be done this way. Audits performed by HHS and DCAA are for the organizations and universities with which HUD has business, and for which they have Governmentwide responsibilities. Funds also provide for contractor assistance for specialized skills and services, such as appraisers, inspectors, tax and automated data processing specialists, etc., in support of various OIG activities, including computer matching. Beginning in 1988, funds have been included for the collection of income matching data for determining eligibility for Assisted Housing payments as part of the Department's new Tenant Eligibility Quality Control program. Finally, funds are included for annual audits of HUD's General and Program Accounting Group, and consolidation with the FHA and GNMA audits into a consolidated report.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
General Support Services	$45	$50	$162	$256	+$94

These funds are for the purchase of goods and services where source identity or investigative techniques require confidentiality and normal procurement procedures might compromise that confidentiality. In addition, the OIG enters into an interagency agreement with the Department of Justice for access to the National Crime Information Center (NCIC) for data related to HUD audit and investigative activities.

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	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Automated Data Processing Services..................................	$1,240	$637	$637	$2,757	+$2,120

These funds are required for automated data processing services which are provided on a reimbursable basis through the Department's Working Capital Fund. The Department's estimate of these costs for 1990 was extremely low. The 1991 estimate more realistically reflects anticipated usage by the OIG.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
All Other................................	$57	$491	$469	$785	+$316

Other funds in this object class include amounts for training of OIG personnel, furniture and equipment maintenance, OIG's share of the HUD building operations costs, and other miscellaneous contractual requirements.

SUPPLIES AND MATERIALS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Supplies and Materials..................	$44	$275	$323	$410	+$87

This object class identifies charges for commodities that are ordinarily consumed or expended within 1 year after they are put into use, that are converted in the process of construction or manufacture, or that are used to form a minor part of equipment or fixed property.

The 1991 request of $410 thousand is an increase of $87 thousand above the 1990 level of $323 thousand. The increase in funding requirements reflects rising costs associated with the purchase of all supplies and materials needed by the OIG. More specifically, there are increases for ADP supplies, such as off-the-shelf software and diskettes, and other office supplies.

FURNITURE AND EQUIPMENT

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Furniture and Equipment..................	$1	$225	$273	$772	+$499

This object classification includes personal property of a more or less durable nature--that is, which may be expected to have a period of service of a year or more after it is put into use, without material impairment of its physical condition. It includes charges for services in connection with the initial installation, when performed under contract, and transportation charges paid initially by vendors.

The 1991 request of $772 thousand is a net increase of $499 thousand above the 1990 current estimate of $273 thousand. The requested funding includes $150 thousand for ADP equipment purchases, such as microcomputers and ancillary equipment such as printers, modems and additional boards to upgrade memory and provide specialized capabilities. Also included in this object class are furniture and fixtures and office equipment. In 1991 we plan to address equipment needs which are being deferred from 1990, as well as replace worn and obsolete copiers, automated files, microfilm readers and local area networks (LANs). The major replacements account for 85% of the proposed increase.

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INDEMNITIES

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE+ DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Insurance and Indemnities...............	$1	...	...	$2	+$2

This category provides for payments made for or related to the repair or replacement of property (including loss by theft) or for personal injury deemed by law or regulation to be the responsibility of the OIG. This would normally include loss or damage of personal property being used for the benefit of the government.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Office of Inspector General is the Department's focal point for independent review of the integrity of Departmental operations and, therefore, is the central authority concerned with the quality, coverage, and coordination of the audit, investigation, and personnel security services of the Department. In directing these review activities, the Inspector General emphasizes both the detection and prevention aspects of these services as a tool of management within a comprehensive Departmental effort to attain improved management effectiveness. The Office of Inspector General has authority to inquire into all program and administrative activities of the Department and the related activities of all parties performing under contracts, grants, or other agreements with the Department. These inquiries may be in the nature of audits, investigations, or such other reviews as may be appropriate in the circumstances.

2. WORKLOAD

The principal workload of the Office of Inspector General (OIG) consists of audits, investigations and fraud control activities.

The Inspector General Act of 1978 requires the Inspector General to conduct, supervise, coordinate, and provide policy direction for audits and investigations relating to Departmental programs and operations; and to promote economy and efficiency in the administration of, or prevent and detect fraud and abuse in, HUD programs and operations.

In addition, through the President's Council on Integrity and Efficiency, the OIG participates with other Offices of Inspector General in Governmentwide reviews to combat fraud, waste and mismanagement.

The following table highlights the workload anticipated or planned for major activities:

WORKLOAD INDICATOR	1989	1990	1991
Internal Audits and Surveys...	77	68	85
External Audits..	256	300	315
Monitoring Independent Accountants a/...................................	27.6	28.6	29.0
Assistance to U.S. Attorneys and Special Assignments a/.................	20.0	17.9	18.0
Special Surveys..	3	3	3
Investigations - Case Openings...	1,099	1,196	1,304
Protective Security..	50	50	50
Personnel Security Investigations.......................................	1,207	1,171	970
Hotline Calls Received..	390	550	575
Income Matching (Computer)...	3	7	7

a/ Figures shown are staff-years devoted to these activities.

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a. Audits

The OIG audit work standards are based on a combination of technical estimating and work sampling methods. Pilot audits provide for the direct input of professional staff, as in technical estimating, as well as for measurement of an actual on-the-job situation, as in work sampling.

In 1978, at the request of the Secretary, OIG established an Audits Management System (AMS) to eliminate the backlog of unresolved audit findings and to ensure that all future audit findings would be acted upon within specified time frames. The Inspector General Act Amendments of 1988 further emphasized the importance of timely resolution of audit recommendations, and placed additional reporting requirements on the OIG and HUD. The AMS provides that external and internal audit recommendations be resolved within 120 days from the date of the audit report. A total of 3,813 audit recommendations were reported in 1989.

OIG also conducts special surveys in Headquarters and selected HUD Field offices for the purpose of seeking out indications of fraud and program abuse and determining the need for full-scale audits and investigations.

b. Investigations

Workload consisting of a combination of criminal and administrative investigations is the primary factor in determining staffing requirements. An automated Investigative Case Management System enables the Office to track the status of an investigation from opening through to final disposition. The OIG also has the capability of reviewing time expended on investigative matters to determine if efficient use of resources is being accomplished.

3. SUMMARY OF STAFFING REQUIREMENTS

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters	(104)	110	104	118	+14
Field	(387)	382	388	427	+39
Total	(491)	492	492	545	+53

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Headquarters	(106.3)	110.8	104.8	119.3	+14.5
Field	(388.8)	384.4	390.4	431.1	+40.7
Total	(495.1)	495.2	495.2	550.4	+55.2

The staff-years consist of the following components:

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Full-Time Permanent Personnel	487.8	491.7	527.5
Temporary and Part-Time Employees	5.3	1.3	20.7
Overtime	0.8	0.3	0.3
Terminal Leave	1.2	1.9	1.9
Total Staff-Years	495.1	495.2	550.4

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A description of the last three categories of employment is included under the discussion for the appropriation "Salaries and Expenses, HUD" in another part of the Justifications. The changes reflect fluctuations occurring from year to year in the utilization of part-time, temporary and intermittent employment, and special employment programs, which include employment of handicapped, Vietnam veterans, and summer college students.

EXPLANATION OF STAFFING REQUIREMENTS

OFFICE OF INSPECTOR GENERAL EMPLOYMENT

The following tables indicate the distribution of full-time permanent positions and staff-years for the organizations within the Office of Inspector General and are followed by a discussion of the functions and staffing requirements for each of those organizations.

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Inspector General	7	6	7	8	+1
Audit	340	340	338	359	+21
Headquarters	(35)	(40)	(32)	(36)	(+4)
Field	(305)	(300)	(306)	(323)	(+17)
Investigation	101	103	102	126	+24
Headquarters	(19)	(21)	(20)	(22)	(+2)
Field	(82)	(82)	(82)	(104)	(+22)
Management and Policy	43	43	45	52	+7
Total Full-Time Permanent Appointments, End of Year	491	492	492	545	+53
Headquarters	(104)	(110)	(104)	(118)	(+14)
Field	(387)	(382)	(388)	(427)	(+39)

	STAFF-YEARS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Immediate Office of the Inspector General	7.0	6.0	7.0	8.1	+1.1
Audit	343.3	342.8	340.2	362.6	+22.4
Headquarters	(37.3)	(40.5)	(32.3)	(36.5)	(+4.2)
Field	(306.0)	(302.3)	(307.9)	(326.1)	(+18.2)
Investigation	101.8	103.2	102.7	127.2	+24.5
Headquarters	(19.0)	(21.1)	(20.2)	(22.2)	(+2.0)
Field	(82.8)	(82.1)	(82.5)	(105.0)	(+22.5)
Management and Policy	43.0	43.2	45.3	52.5	+7.2
Total Staff-Years	495.1	495.2	495.2	550.4	+55.2
Headquarters	(106.3)	(110.8)	(104.8)	(119.3)	(+14.5)
Field	(388.8)	(384.4)	(390.4)	(431.1)	(+40.7)

The early detection and correction of major problem areas is time consuming and staff intensive, however, we believe it to be cost effective in the long-run. We therefore propose increasing our audit emphasis on early detection, correction and avoidance and thereby reduce the Department's exposure to abuse. The Office of Investigation has found that the complexities of their investigations are increasing as we expand our coverage nationwide, and enter into joint efforts with other Federal agencies.

We also believe that more could be done in the area of deterrence and avoidance. We propose increasing our resources in order to take advantage of all tools that have been made available to us: Program Fraud Civil Remedies Act, Multifamily Double Damages Statute, and computer matching legislation.

The OIG proposes a 1991 staffing of 545 full-time permanent employees and 550.4 staff-years, representing increases of 53 positions and 55.2 staff-years above the 1990 current levels. These increases would enable us to achieve the degree of audit, investigative, fraud control and administrative support necessary to deal with the various problems facing the Department. However, because of an unanticipated increase in personal service costs, we will not be able to fully fund all of the staff positions proposed. We expect to have to reduce the increase in Investigative staff by at least 2 FTP's in order to cover the increased costs associated with Public Law 101-173, concerning authorized unscheduled overtime pay.

1. IMMEDIATE OFFICE OF THE INSPECTOR GENERAL

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year............................	6	6	7	8	+1
Staff-years............................	7.0	6.0	7.0	8.1	+1.1

The Inspector General reports directly to the Secretary and has authority to inquire into all program and administrative activities of the Department. The inquiries--which are accomplished through a comprehensive plan of selected audits, investigations, surveys, reviews, and security services--are designed to provide constructive advice for Department management, to promote economy and efficiency in the administration of HUD programs, and to prevent and detect fraud and abuse in HUD programs and operations.

One additional full-time permanent appointment is proposed for 1991. Furthermore, we are proposing a revision to 1990 in order to reflect the addition of one Special Assistant to the immediate office of the Inspector General. This change was necessary because of increased involvement with the President's Council on Integrity and Efficiency and supplementary responsibilities as a result of the Inspector General Act Amendments of 1988. Additionally, the existing workload has grown considerably over the past several years due to increased equal employment opportunity complaints, as well as activities in direct support of the Inspector General and the Deputy Inspector General.

2. OFFICE OF AUDIT

a. Employment and Responsibilities

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year............................	340	340	338	359	+21
Headquarters........................	(35)	(40)	(32)	(36)	(+4)
Field............................	(305)	(300)	(306)	(323)	(+17)
Staff-years............................	343.3	342.8	340.2	362.6	+22.4
Headquarters........................	(37.3)	(40.5)	(32.3)	(36.5)	(+4.2)
Field............................	(306.0)	(302.3)	(307.9)	(326.1)	(+18.2)

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The Office of Audit is responsible for the development and implementation of the Department's audit activities as well as for planning and conducting audits of: (1) Headquarters, Regional and Field Office activities; (2) programs and projects; and (3) contractors and other external activities. In addition, the Office develops criteria for the use and acceptance of audit work performed by State and local audit agencies and independent accounting firms (IAs) hired by recipients of HUD financial assistance, as well as monitors the quality of such work. The current universe of auditees participating in HUD programs is approximately 46,000 entities.

The responsibilities of the Office of Audit are discharged through surveys; internal and external audits; monitoring, reviewing and accepting non-Federal audit reports including audits conducted in compliance with OMB Circular A-128 (Single Audit Act); other special surveys conducted for the purpose of seeking out indicators of fraud and program abuse; and liaison with the General Accounting Office. Based on the problems found, the Office of Audit recommends corrective action to be taken concerning problems, abuses and deficiencies which may be impeding program administration and reports on the progress made by HUD officials in implementing such corrective action. Cash recoveries resulting from audits during 1989 totaled $37.3 million, with management commitments to seek recovery of an additional $79.8 million. HUD managers have also agreed to OIG audit findings which recommended more efficient use of $26 million. Over 3,800 audit recommendations were reported and monitored in 1989, to improve HUD program operations.

In 1991, the Office of Audit requests a staff increase of 21 FTP appointments and 22.4 staff-years. The additional staff will be directed into the below listed areas.

-- Program Fraud and Abuse. Our audit efforts continue to disclose significant abuses of various programs. Our recent audit of HUD's Section 8 Moderate Rehabilitation Program identified pervasive programmatic weaknesses which will result in millions of dollars of HUD overpayments to public housing agencies. A recent audit concluded that defaulted loans under the Multifamily Section 223(f) Coinsurance Program may result in losses of nearly $700 million to HUD. Our ongoing efforts continue to uncover schemes to defraud the Single Family Mortgage Insurance Program which sustained over $4 billion in losses in Fiscal Year 1988. We plan to undertake similar comprehensive efforts to uncover fraud and abuse in other program areas.

While the Department is taking steps to tighten controls, the new controls will require monitoring and audit coverage to both assure compliance and to take action against those not complying. To that end, additional tools will be available to pursue administrative sanctions and civil actions to recover program losses. Both the Program Fraud Civil Remedies Act and the Multifamily Double Damages Statute (equity-skimming) allow HUD to seek monetary damages from those who have abused its programs. We plan to devote considerable audit resources to support these types of actions.

-- Automated Data Processing Systems. Since 1983, the Department's automated data processing budget has increased by 155 percent, from $32.9 million to $84 million. Automated data processing significantly affects the way the Department carries out its multi-billion dollar programs. HUD program offices use data processing services available through the Department's mainframe computers and computers operated by outside vendors. The Department, including its contractors, will expend about 14.4 million staff hours for ADP processing and 908,000 staff hours for system development/maintenance during 1989. Further, to meet changing program requirements, the Department's data processing staff and contractors who perform work for the Department continually develop new automated systems and modify existing automated systems.

Past audits have shown the need: (1) to improve general controls over the ADP functions commonly used by all automated systems; (2) for more efficient use of computer resources; and (3) to improve the reliability of data in the systems. Improvements in internal controls, audit trails and system efficiency can best be achieved through more active audit involvement in the systems development process. Early audit involvement in systems development can facilitate the prompt identification of system vulnerabilities, internal controls, audit trails, and efficiency issues. Prompt reporting on these matters can facilitate corrective management actions that result in improved automated systems and cost savings. Continued emphasis on controls over data processing functions both at Headquarters and in the field is needed to ensure compliance with General Accounting Office audit standards and Office of Management and Budget circulars concerning information systems.

-- Financial Audits. We plan to expand our role in conducting financial audits of the Department's programs. This expanded effort will include responsibility for conducting audits of the

Federal Housing Administration Insurance Fund, the General and Program Accounting Group, and the Government National Mortgage Association. This additional audit effort will serve to consolidate all audits of Departmental programs within the Office of Inspector General and produce Departmental financial statements advocated by the General Accounting Office.

-- Government National Mortgage Association (GNMA). GNMA has taken on an expanded workload in recent years for loan servicing and asset disposal due to issuer defaults. At the end of 1988 GNMA had a mortgage servicing portfolio of approximately $2.8 million, arising from defaulted loans that had been originated under Title I, Manufactured Home Loan Program and Section 223(f), Coinsurance Program. GNMA expects to purchase an additional $460 million in foreclosed manufactured home loans during the period 1989 through 1994, with write-offs of losses on the sale of manufactured home units estimated at $332 million during the same period. In addition to the foreclosed manufactured home loans, GNMA will be attempting to liquidate a combined $1.6 billion multifamily and single family portfolio acquired from defaulted multifamily and single family issuers. Expected losses on these portfolios are uncertain because of GNMA's limited experience in this area.

Our audit efforts in GNMA and of GNMA issuers have been limited in recent years due to staffing constraints. We plan to increase our audits of external entities (issuers) to detect fraud that may be occurring in the GNMA Mortgage Back Securities program as well as focus more attention internally to determine whether adequate safeguards are in place.

In 1991, the additional staff will be needed to meet the increased workload resulting from increasing activity under the Stewart B. McKinney Homeless Assistance Act, the Fair Housing Amendments of 1988, and the establishment of Resident Management Corporations.

b. Workload and Accomplishments

Our program of audits will emphasize the following areas:

-- Automated Data Processing Systems. Automated data processing significantly affects the way the Department carries out its multi-billion dollar programs. HUD program offices use data processing services available through the Department's mainframe computers and computers operated by outside vendors. The Department's automated data processing budget has reached $84 million and continues to rise because of the need for new systems and necessary revisions to those systems in place. Our audits will focus on general controls over ADP systems, efficient use of computer resources, and the reliability of systems data.

-- Reasonable Rental Rates. We plan to determine whether procedures for establishing rental rates effectively and efficiently control program costs. To accomplish this we will perform a series of internal HUD program audits and external program participant audits to identify problem areas and appropriate solutions to those problems. This audit initiative represents a comprehensive review of the area and will enable the Department to take an organized approach to recognizing problems and managing subsidized rents.

-- Grant Management. Grant programs administered by local units of government are new and/or expanding. Currently, states are making small cities grants to over 3,000 small communities. Previous audit attention was limited due to other priorities. Our audits will evaluate the state programs for efficiently and effectively administering the small cities grant program.

-- Reviewing Appraisals of Insured Properties. Our objective in this area is to determine whether the Department adequately protects itself against the effects of unreasonable appraisals. A comprehensive program of internal and external audits will be conducted to determine whether HUD's procedures for obtaining appraisals in all HUD programs are sound and whether other procedures that include the use of appraisals have enough internal controls to minimize the effect of unreasonable appraisals.

-- Review of nursing homes and intermediate care facilities. Our objective in this area is to determine if there are programmatic weaknesses in HUD's monitoring of these types of insured programs. A program of internal and external audits will be done to accomplish this audit objective.

-- Section 8 Programs. Our objective is to identify program weaknesses and recommend improved management controls. A program of external audits, coupled with internal evaluations, will focus on the implementation of the Section 8 voucher program and the project based allocation Section 8 program.

— Stewart B. McKinney Homeless Assistance Act Programs. Our objective in this area will be to identify ways to improve the administration and management of funding activities. The potential for mismanagement and misuse of funds is significant if adequate controls are not developed for the new programs established under this Act.

— Reviewing the work of Independent Auditors. The Inspector General Act of 1978 requires that each Inspector General ". . .take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General. . . ." In addition, the Single Audit Act and OMB Circular A-128 (which implements the Act) provide that Federal agencies will be designated to monitor and review audit reports of state and local governments prepared by non-Federal auditors and outline criteria governing these activities.

The Department receives audit reports from non-Federal auditors and HUD managers rely on these reports to provide financial and compliance information for proper administration and oversight of Federal programs. OIG monitors and reviews reports from 257 state and local government entities (based on OMB's formal assignments). In addition, HUD has accepted general oversight responsibility for about 3,800 entities, including 2,800 housing agencies. In the past, audits of housing agencies were performed biennially; but with the passage of the Single Audit Act, they must be performed annually. OIG monitoring activities include performing desk reviews and quality control reviews, obtaining necessary clarifications and revisions, and referring auditors who perform unacceptable work to the appropriate sanctioning offices. Thus, the OIG's annual workload has increased substantially.

Some of our more recent audit results include:

1. Closing Agents' Remittance of Sales Proceeds to HUD. In 1987 and 1988 we issued internal and external reports identifying systemic problems in this area and other aspects of HUD's acquisition and sale of single family properties. Field offices were not monitoring the activities of closing agents and control systems implemented by HUD were found to inhibit rather than expedite proper control and accountability. Since January 1989, we have expended nearly 600 audit staff days on a multi-regional follow-up review. To date, the results of this review indicate that little progress has been made in correcting the internal control weaknesses. HUD continues to be exposed to losses from the diversion or delayed submittal of sales proceeds. In some cases, available evidence strongly indicates that large amounts of money may have been misappropriated.

2. Section 8 Moderate Rehabilitation Program (MRP). We performed a comprehensive review of the MRP activities at all levels of participation. Our review covered a 5-year period and activities at both HUD Headquarters and Field offices, at 20 public housing agencies, at one coinsurance lender and at project developers/owners. Problems were noted with the funding allocation process, monitoring of public housing agencies, and contract rent calculations. We identified rent calculations that will result in payment of excessive housing assistance totaling over $58 million during the 15-year contract periods for those projects reviewed. The scope and type of deficiencies noted indicate that total excess assistance for projects funded during the audit period could approach $413 million over the lives of the contracts.

3. Section 8 Existing Housing Certificates Program. In response to a request from the Chairman of the House Subcommittee on Housing and Community Development, we conducted a review of the funding allocation process for this program. The primary purpose of the review was to determine the basis for funding allocations and to ascertain the possible impact on the implementation of the Project Based Assistance component of the Section 8 Program.

HUD allocated $279 million of budget authority from the Headquarters Reserve for Fiscal Years 1988 and 1989. For 1989, this was more than 52 percent of the total Section 8 Housing Certificates. Because of the lack of accountability and documentation, we were unable to determine whether PHAs were awarded certificates based on merit or because of influence by Headquarters and Regional Office officials. For example, certain Regional Administrators advised that HUD Headquarters officials and staff influenced their requests for Headquarters Reserve funding and in some cases suggested how to use Fair Share allocations for specific PHAs.

4. State-Administered Community Development Block Grant (CDBG) Program. Our nationwide review of economic development and public facility grants awarded under the State-administered CDBG

Program disclosed that the Program was ineffective in creating/retaining jobs for low- and moderate-income persons. Only 35 percent of the jobs projected were actually created or retained. Additional problems included the following: (1) the States and/or their subgrantees did not timely use millions of dollars of available CDBG Program funds to provide benefits to accomplish program objectives; (2) the States and/or their subgrantees approved public facility grants without adequate evidence that the grants were eligible for funding under the program; and (3) States and/or their subgrantees did not use program income from economic development activities before drawing down additional CDBG funds.

The deficiencies cited were generally due to HUD not providing written guidance or technical assistance for monitoring efforts. HUD needs a more aggressive oversight-involvement in implementing the State CDBG Program to ensure that national program objectives are met in accordance with the law.

5. Mortgagee Review Board Referrals. As a result of OIG audits and investigations of single family loan origination practices, the Mortgagee Review Board took action against 20 mortgage companies during fiscal year 1988. The companies disregarded HUD requirements and prudent lending practices through faulty loan underwriting, and improper loan originations. These actions resulted in repayments to HUD for claims paid of over $5.1 million; indemnification from future potential losses of over $9.3 million; and assurances that the lender's quality control programs will be improved to prevent future recurrences of problems.

6. Public Housing Resident Management and Homeownership Programs. We completed a review of HUD's Public Housing Resident Management and Homeownership Programs to identify any problems in their implementation. We determined that HUD needs to implement an ongoing evaluation agenda for these two programs. Although these programs have already been the subject of considerable evaluation, we determined that most of the existing evaluation data is inconclusive, and did not take into account the 1987 Housing Act provisions which contain significant enhancements to public housing resident management and homeownership.

We also determined that there was a need for HUD to assume an active role in related training and technical assistance, due to the developmental stage of many of the Resident Management Corporations (RMCs). Similarly, we recommended that handbook instructions and technical guides should be developed for use by PHAs, RMCs and HUD staff. We also reported that HUD needed to identify and report to Congress on the regulatory and statutory requirements that should be waived or amended for PHAs and RMCs, such as maintenance wage rates, tenant eligibility for public housing, allocation of operating subsidies to RMCs, and statutory requirements relating to RMC property purchases and replacement housing.

7. Government National Mortgage Association Issuer Monitoring. We completed an audit of GNMA's issuer monitoring, and found that GNMA was not diligent in seeing that independent public accountants' (IPAs) audits of issuers were obtained timely, and properly analyzed and acted upon. The required annual audit of the issuer is one of the more important GNMA monitoring tools since it provides an early warning of financial problems and identifies noncompliance with GNMA procedures. GNMA faces some significant problems with respect to its defaulted issuer portfolio, which has increased dramatically from about $3.1 billion to $12.5 billion. Although several external problems and certain programmatic policies have contributed to the defaults, more timely review and follow-up on issuer problems disclosed in IPA audits would allow for early action when issuer problems are identified.

The allocation of audit resources to external and internal work, Departmentwide activities and fraud control are shown in the following schedules:

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SCHEDULE OF AUDITS COMPLETED IN 1989 AND TO BE PERFORMED IN 1990 AND 1991

	1989	1990	1991
External Audits and Evaluations....................	256	300	315
Internal Audits, Dept.-Wide Assistance and Fraud Control................................	77	68	85

A detailed comparison of the 3 years is as follows:

	ACTUAL 1989		ESTIMATE 1990		ESTIMATE 1991		INCREASE + DECREASE - 1991 vs 1990	
EXTERNAL AUDITS AND EVALUATIONS	NO.	ST-YRS	NO.	ST-YRS	NO.	ST-YRS	NO.	ST-YRS
Single Family Housing........................	47	33.2	50	19.8	52	20.8	+2	+1.0
Government National Mortgage Association....	6	1.6	18	4.8	20	5.0	+2	+0.2
Multifamily Housing..........................	34	17.0	68	35.2	75	36.9	+7	+1.7
Public and Indian Housing....................	67	46.7	70	32.9	71	34.5	+1	+1.6
Community Planning and Development..........	55	27.8	79	27.1	80	28.4	+1	+1.3
Centralized Programs a/	47	4.7	15	7.3	17	7.7	+2	+0.4
Total External Audits and Evaluations.....	256	131.0	300	127.1	315	133.3	+15	+6.2

a/ Includes pricing proposals, evaluations and audits of cost type contracts for Technical Assistance and Research and Technology.

Schedule of Audits Completed for 1989 and to be Performed in 1990 and 1991 (Continued)

	ACTUAL 1989		ESTIMATE 1990		ESTIMATE 1991		INCREASE + DECREASE - 1991 vs 1990	
INTERNAL AUDITS, DEPARTMENTWIDE ASSISTANCE AND FRAUD CONTROL	NO.	ST-YRS	NO.	ST-YRS	NO.	ST-YRS	NO.	ST-YRS
Single Family Housing.......................	7	7.7	7	6.9	8	7.2	+1	+0.3
Government National Mortgage Association...	1	.7	2	1.6	3	3.0	+1	+1.4
Multifamily Housing.........................	12	10.0	12	14.3	15	15.0	+3	+0.7
Public and Indian Housing...................	25	20.5	14	20.4	25	21.4	+11	+1.0
Community Planning and Development.........	9	5.4	8	6.0	8	6.3	...	+0.3
Fair Housing and Equal Opportunity.........	2	.6	...	...	1	.5	+1	+0.5
Administration..............................	6	4.2	7	4.4	7	4.6	...	+0.2
Automated Data Processing...................	10	6.9	10	4.9	12	5.7	+2	+0.8
Policy Development and Research............	...	...	...	...	1	.5	+1	+0.5
Other..	2	1.4	5	3.0	2	3.1	-3	+0.1
Departmentwide Assistance Activities:								
Monitoring IA Work (Single Audit Act)....	...	27.6	...	28.6	...	29.0	...	+0.4
Follow-up on Audit Findings...............	...	10.0	...	10.1	...	10.1	...	...
Departmentwide Assistance-Other...........	...	5.0	...	5.3	...	5.3	...	...
Fraud Control:								
Special Surveys..........................	3	4.6	3	4.1	3	4.1	...	...
Assistance to U. S. Attorneys and Special Assignments......................	...	20.0	...	17.9	...	+18.0	...	+0.1
Total Internal Audits, Dept.-Wide Assistance and Fraud Control............	77	124.6	68	127.5	85	133.8	+17	+6.3
GRAND TOTAL............................		255.6		254.6		267.1		+12.5

Office of Inspector General

3. OFFICE OF INVESTIGATION

a. Employment and Responsibilities

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments,					
End of Year............................	101	103	102	126	+24
Headquarters..........................	(19)	(21)	(20)	(22)	(+2)
Field.................................	(82)	(82)	(82)	(104)	(+22)
Staff-years............................	101.8	103.2	102.7	127.2	+24.5
Headquarters..........................	(19.0)	(21.1)	(20.2)	(22.2)	(+2.0)
Field.................................	(82.8)	(82.1)	(82.5)	(105.0)	(+22.5)

The Office of Investigation is responsible for the development and implementation of the Department's criminal and administrative investigations and the personnel security program.

The Office of Investigation is requesting 24 additional full-time permanent appointments and 24.5 staff-years due to the projected workload for 1991 and beyond. This increase in staff will enable the Office to complete more cases in a timely manner, particularly in those program areas which have received recent Congressional and media attention. The Office will be able to effect closer coordination with the Department of Justice and HUD program officials and cause the initiation of more timely prosecutive and administrative actions. The increased staff will allow the Office to take a more active role on a wider scale in task force efforts with other agencies in investigating fraud and abuse in HUD programs. Additional staffing for the Office of Investigation should also increase the amount of money recovered for the Department through investigations.

OIG investigations in 1989 aided in the indictment of 349 persons or firms and 287 convictions. These persons or firms received fines totaling over $1 million, prison sentences totaling 228 years, and probated sentences totaling 1,183 years. In addition, OIG investigations led to 154 debarments and 122 suspensions of persons or firms having business with HUD and resulted in HUD initiating personnel actions against 61 agency employees. Cash recoveries from investigative work was more than $10.3 million.

Some of the main functions of the Office include:

(1) Conducting investigations of possible violations of law or regulation and other irregularities in the administration of Departmental programs and activities. These include investigations of possible violations of criminal statutes as well as HUD regulations. These efforts can result in criminal prosecution, civil litigation, administrative action, and/or referral to the Department of Justice in accordance with a Memorandum of Understanding between OIG and the FBI.

(2) Acting as the sole liaison office with the Department of Justice on all criminal activities resulting from audit and investigative matters referred to that Department.

(3) Maintaining protective security measures for the Secretary. The program provides for routine as well as contingency operations and is designed to provide office, travel, and residence security for the Secretary when required. The program includes occasional travel protection for the Under Secretary on HUD official trips when advance information determines a need for contingency operations.

(4) Providing the Department of Justice with technical and investigative assistance in preparation of Federal Court cases involving HUD matters; and testifying at administrative hearings where a debarment or personnel action was based on an investigation.

(5) Initiating security investigations to determine the suitability, integrity, and loyalty of applicants applying for HUD positions, particularly those which are considered to be "critical-sensitive," such as policy-making positions.

(6) Evaluating personnel security investigations to determine whether such applicants meet the requirements established under Executive Order 10450, titled: "Security Requirements for Government Employment."

(7) Promulgating and administering policies, standards, and procedures that ensure effective compliance with and implementation of Executive Order 12356, titled: "National Security Information."

(8) Performing various other functions including participating in task force operations with other agencies and giving Standards of Conduct briefings in all HUD Field Offices.

b. Workload

Investigations vary greatly from case to case in the amount of time required for completion. The level of staff effort needed is determined by the length of time required to complete the investigations. The time to complete a case depends on the number and complexity of issues involved, volume of records examined, number of witnesses interviewed and their availability, length of reports, travel requirements, and the extent of pretrial and trial assistance required by the Department of Justice prosecutors. The complexities and extensive inquiries required by some cases may necessitate a team of two or more investigators to complete the cases. For example, one case involving the Section 8 Moderate Rehabilitation Program, completed in 1989 was the subject of Congressional hearings. The case required in excess of 4,000 staff-hours alone and spanned all ten Regions. Another case has required the time of one agent, working with the FBI, for 2 years and resulted in the indictment of a top Departmental official.

Given the unique role of the OIG, we have traditionally sought to emphasize, by identifying and aggressively pursuing, those cases which have the best potential for not only prosecution but also administrative or civil action (suspension, debarment, monetary recovery). In recent years, we have also experienced significant increases in the number of staff intensive efforts, task force projects, and joint investigations with other agencies. We conduct investigations which require our Special Agents to participate fully in the judicial process, including spending the time necessary to assist with Grand Jury activity, trial preparation, working with the prosecutors during the trial, and pre-sentencing activities. With agent responsibility in the judicial process and its attendant mandatory requirements, a case becomes almost all-encompassing of an Agent's time once the case enters the Grand Jury phase. As a result, our investigative cases have become more complex and time consuming. The recent Congressional hearings and media attention has only focused the need for additional staffing.

Before the Congressional hearings began in the spring, 1989, we already had a substantial workload of approximately 1,100 cases under investigation. Approximately 700 of the 1,100 pending cases were being investigated by the OIG alone and 400 jointly with the FBI. Another 500 cases involving alleged fraud in HUD programs were under investigation by the FBI alone. In addition, 200 cases had been referred by OIG to U.S. Attorneys and were awaiting disposition through either indictment, trial, sentencing, or declination of prosecution, and each of these cases require the active participation of an OIG Special Agent in the judicial process.

We were also actively involved with other agencies, such as the FBI, IRS, and/or Postal Inspectors, in extensive, time-consuming investigations of single family loan fraud in: Seattle, Washington; Oklahoma City and Tulsa, Oklahoma; Philadelphia, Pennsylvania; Washington, D.C.; Atlanta, Georgia; Houston, Texas; and Minneapolis, Minnesota. Each of these efforts produced a significant number of publicized criminal prosecutive actions, monetary recoveries, and civil penalties. The Department also instituted administrative sanctions as a result of the investigations. Additionally, almost 450 investigations involving the single family loan program are being conducted by OIG or jointly with other agencies in most areas of the United States. Our single family loan program investigations in 1989 resulted in the indictment of 124 individuals and/or firms doing business with the Department, 95 convictions, and fines and monetary recoveries totaling more than $5.3 million.

We devoted a significant amount of time to conducting investigations in support of the Civil Division of the Department of Justice in 1989. One such effort resulted in $1.3 million being paid to HUD by a mortgagee. In 1989, we began investigations of escrow agents who close sales of HUD-acquired properties. The escrow agents allegedly embezzled HUD funds, and two have already been indicted by Federal Grand Juries for embezzling over $7 million. We are also working closely with the Civil Division to recover the stolen HUD money in the escrow agent cases.

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Before the Congressional hearings began, the majority of the time of Special Agents in the Office of Investigation was spent on single family mortgage loan fraud and rental assistance fraud. The Congressional hearings spread from the Moderate Rehabilitation program, and its use of consultants, to the single family mortgage insurance program, coinsurance, and escrow closing agents. As a result of the hearings and the media attention, many new investigations were initiated in the areas of Section 202 housing, Title I, UDAG, CDBG, Title X, and retirement service centers. A number of the new cases were in areas where there had been few complaints generating investigations in the past. Also as a result of the Congressional hearings and media attention, there is a substantially heightened public awareness of HUD programs and problems, and there is an expectation that the problems must be addressed completely and expeditiously.

With the substantially heightened emphasis on HUD program fraud, the Inspector General met with top officials in the Department of Justice, including the FBI, to review the progress in addressing HUD cases. The OIG has been assured that prompt prosecutive attention will be given to fraud and abuse in HUD programs. In addition, recent requests have been made by U.S. Attorneys for additional OIG investigative help or new or expanded work in Miami, Denver, Brooklyn, New York City, Knoxville, and additional requests are expected. We have initiated dialogue with local district attorneys in many areas, and we are also conducting investigations of fraud against the Department to support those efforts. However, existing resources are not adequate to investigate the cases and/or support the FBI and prosecutive efforts.

The following table indicates, by category, the number of investigative cases opened during 1989 and provides estimates for 1990 and 1991.

	CASES OPENED - INCLUDES FBI INVESTIGATIONS			
	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Administration	30	30	40	+10
False Statements	650	700	775	+75
Wage Violations	10	10	10	...
HUD Personnel	75	75	100	+25
False Advertising	1	1	2	+1
Construction Violations	1	1	1	...
Theft	15	20	25	+5
Charter and Contractual Violations	1	1	2	+1
FHA Title I	35	50	75	+25
Hatch Act	5	5	5	...
Impersonation	1	1	3	+2
Conflict of Interest	10	15	25	+10
Bribery	25	25	30	+5
Embezzlement	70	85	90	+5
Kickbacks	35	40	25	-15
Applicants for Office of Audit	50	50	60	+10
Applicants for Office of Investigation	25	25	30	+5
Protective Security	50	50	50	...
Other	10	10	10	...
Total	1,099	1,194	1,358	+164

Our investigative staff receives an additional 1,800 complaints each year. Typically, we will evaluate a complaint and may conduct a preliminary inquiry to determine whether the allegation warrants a full investigation or if the matter is best handled in some other way. If an investigative case is not opened, the matter is referred to a Departmental official for appropriate administrative action. This evaluation procedure tends to reduce the number of investigative cases opened and emphasizes that only the more important matters are to be fully investigated.

The increase in workload is based in part on an increasing number of cases resulting from the Congressional and media attention focused on HUD programs, as well as our continuing activity in the Department's single family loan program and our efforts to address fraud in the rental assistance programs through computer matching.

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The following table reflects the estimated personnel security investigation workload for 1989, 1990 and 1991.

	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Background Investigations...............	268	225	225
National Agency Check and Inquiry.......	850	850	600
Update Background Investigations........	5	5	5
Periodic Reinvestigations...............	72	76	125
National Agency Check and Credit........	12	15	15
Total Security Investigations.........	1,207	1,171	970

4. OFFICE OF MANAGEMENT AND POLICY

a. Employment and Responsibilities

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-Time Permanent Appointments, End of Year............................	43	43	45	52	+7
Staff-years.............................	43.0	43.2	45.3	52.5	+7.2

The Office of Management and Policy is the focal point for the Department's efforts to minimize the opportunities for and occurrences of fraud, waste, and mismanagement in Departmental programs, activities, and functions. The Office is also responsible for OIG policy development, ADP management and office automation, staff training, administrative operations, and budget formulation, presentation and execution.

The 1990 current estimate reflects the results of a reorganization which took place during 1989.

An increase within the budget function is directly related to the 1988 Amendment to the IG Act, which required that all Offices of Inspector General be funded under a separate appropriation. This requirement increased our workload and broadened our responsibilities in the areas of budget formulation, presentation, and execution, which necessitated the creation of one new staff position in 1990.

During 1990 we also expanded the responsibilities of our Information and Records Center. We centralized the maintenance and retrieval of audit and administrative files, for improved control over sensitive documents, and became the Department's contact for input into, and retrieval from, the GSA's Governmentwide Debarment and Suspension List. These responsibilities and an overall increase in workload, added approximately one staff-year of work.

For 1991, the Office of Management and Policy is requesting an increase of seven positions and 7.2 staff-years over the revised 1990 Budget. These additional positions would be used to improve clerical support; meet increased commitments to HUD's Committee on Program Integrity; increase the number of evaluation and management support projects; enhance the OIG publications process; and expand computer support services.

The Program Integrity Division requests four additional positions in 1991. Two positions will be used to meet our staffing commitment to HUD's Committee on Program Integrity. We anticipate that an increase in the number of projects undertaken by the Committee will result in a significant increase in the workload placed upon the OIG in support of this effort. In addition, one position will be used to develop and conduct a program of management advisory services. This initiative will assist HUD managers in developing solutions to problems identified through other ongoing programs. In addition, one FTP is needed to fully support increased workload in Hotline activities, Freedom of Information requests and other program integrity projects.

The ADP Technology and Assistance Division is proposing to add one position in 1991 to provide computer data and technical support to all OIG offices; develop policies and procedures for personal computers, office automation and telecommunications: and, conduct training, evaluation and feasibility studies for more economical and efficient processing of HUD program and administrative data to enhance audit and investigative activities.

The Publications and Awareness Division is proposing to add one FTP in 1991 to provide desktop publishing and other visual arts services for OIG publications, videotapes, slides, etc. This will result in improved efficiency in the production of OIG publications, consistently higher volume and quality, and faster turn around. Speedy production and delivery of OIG publications is essential to the timely alerting of HUD managers of problem areas, and directly affects the quality of remedial actions.

The Office also proposes adding one secretarial position to meet its typing and clerical needs. The secretarial needs of the Division have increased as a result of the consolidation of publications responsibilities, increased computer match projects, and an overall increase in activity. In addition, the other proposed staff increases for 1991 will further increase our secretarial needs.

(1) Office of Assistant Inspector General. The Office of Management and Policy, headed by an Assistant Inspector General, is responsible for serving as the focal point for the Department's efforts to minimize the opportunities for, and occurrences of, fraud, waste and mismanagement in Departmental programs, activities, and functions. The Office provides OIG-wide support in the ADP, training, budgeting, records management, publications and administration areas.

This Office also: (a) coordinates and directs the HUD work assignments for the President's Council on Integrity and Efficiency, (b) assists the Department in implementing OMB Circular A-123 and the Federal Managers' Financial Integrity Act, and (c) Provides assistance and guidance to HUD staff conducting Front-end Risk Analyses of all new or substantially revised programs.

(2) Program Integrity Division. This Division provides leadership and coordination in developing policies to prevent and detect fraud in Departmental programs and operations. The Division is responsible for reviewing and analyzing Departmental programs, activities and functions to identify those areas considered sensitive to fraud, and for developing and implementing strategies to minimize the opportunities for the occurrence of fraud, waste and mismanagement.

The Program Integrity Division is also responsible for coordinating the activities of the Department's Committee on Program Integrity. The Committee--which is chaired by the Inspector General and includes representatives from each principal office of HUD, including Regional and Field offices--advises the Secretary on policy matters relating to minimizing the occurrence of fraud, waste and mismanagement in HUD-financed operations.

Staff members operate as principal liaison with HUD and other Governmental agencies on fraud control matters, and review proposed legislation and regulations for their impact on the control of fraud, waste and mismanagement in HUD programs. The Division maintains a 24-hour hotline so that employees, program participants and the general public can report any indications of fraud, waste and mismanagement. The Division is also the focal point for all GAO and OMB hotline referrals.

The Division also plans, coordinates, and conducts computer matching projects designed to identify individuals who have fraudulently misreported their eligibility for HUD programs.

(3) ADP Technology and Assistance Division. This Division is the focal point for OIG automation. The Division conducts analyses of OIG automated management information systems, sets guidelines for the implementation and maintenance of OIG automated systems, provides advice and training to OIG regarding the use and care of ADP hardware and software, plans and implements changes in automated systems by organization, accesses HUD databases for program data, and has responsibility for all microcomputer and office automation applications.

The Division conducts evaluations of the OIG's ADP management policies, procedures, reports and activities. Managerial and technical advice is provided to the OIG on overall computer operations and direction for data processing projects affecting all aspects of the OIG's audit, investigative and administrative activities.

(4) Publications and Awareness Division. This Division directs OIG's awareness publication program. This includes preparation of the legislatively-required Semiannual Report to the Congress, and the accompanying Digest. The Division is responsible for planning, researching, and writing a variety of other publications, including Fraud Information Bulletins, Program Integrity Bulletins, Fraud Alert Memorandums, informational pamphlets, newsletters, press releases, Staff Bulletins and briefing papers. This also includes disseminating and responding to requests for such publications. The Division also provides desktop publishing and slide preparation services to other components of the OIG, serves as chief liaison with the Office of Administration on printing and visual arts services, and facilitates the development of videotapes.

Other duties include carrying out the OIG's reports and forms management responsibilities; serving as the focal point for the development and dissemination of information on OIG operating policies and procedures; preparing key management reports, such as the OIG Executive Management Reporting System; performing the OIG's legislatively-mandated review of proposed legislation and regulations; and handling OIG's Issuances Management function within the Department. The Division supports the Inspector General and the Assistant Inspector General for Fraud Control and Management Operations with respect to activities of the President's Council on Integrity and Efficiency's (PCIE) Communications Subcommittee, and acts as liaison with OMB and other Inspectors General on such PCIE activities as preparation of the PCIE's semiannual reports, and input to the PCIE newsletter.

(5) Budget and Administrative Services Division. This Division provides a wide variety of services in general support of all of the OIG. This includes training and career development, administrative and personnel services, records and information management, as well as, budget planning, development and execution.

The Division's Training Office is responsible for developing programs that ensure the efficient utilization of the OIG's human resources. This includes: (a) analyzing training needs and developing plans and courses for appropriate training; (b) arranging or conducting training courses for OIG staff; and (c) administering a career development program designed to maintain a high level of professional and managerial skills in OIG.

The Division's Administrative Office provides day-to-day administrative guidance and support in the areas of personnel administration, travel, space and property management, and procurement, both in Headquarters and in the Field. This includes: (a) personnel recruitment, employee relations, grievances, adverse actions, performance standards, appraisals and awards; (b) procurement and control over supplies, furniture and equipment; and (c) maintenance of personnel records and automated systems.

The Division's Information and Records Office is responsible for maintaining and retrieving all Headquarters OIG files, and controlling and coordinating responses to requests for information under the Freedom of Information Act. This includes files on investigative cases and audit reports, as well as, general correspondence and administrative subjects. This Office is also the Headquarters point of contact with respect to the previous participation of individuals and firms applying to participate in HUD programs, and is responsible for coordinating the Department's input into, and retrieval from, the Governmentwide Debarment and Suspension List.

The Division's Budget Office is responsible for coordinating the development of the OIG's congressional and operating budgets, as well as providing administrative control over obligations and expenditures.

b. Workload and Staffing Needs

(1) Program Integrity Division. We project an increase in workload resulting from increased evaluation and management support projects. We will be increasing our support to projects undertaken by the Committee on Program Integrity, and initiating a new management consultant service to field and Headquarters managers. These initiatives will assist Departmental managers in making programs and operations more efficient and effective, and provide early detection of problem areas. The following items illustrate the kinds of activities for which the Division is responsible:

(a) Coordinating and conducting meetings of HUD's Departmental Committee on Program Integrity, and coordinating reviews and evaluations performed by the Committee and doing staff work on Committee projects. In 1991, the level of staff work will increase because reviews will address only broad cross-cutting issues which impact all major Departmental programs. Greater involvement will be needed to provide planning, coordination, research and drafting services to project leaders. In addition, greater emphasis will be placed on follow-up and implementation of review recommendations.

(b) Identifying significant trends, patterns and systemic weaknesses in HUD programs by doing analyses of the results of OIG audits, Independent Accountant (IA) audits, investigations, and Hotline complaints.

(c) Additional workload will result from initiating a new program of management advisory services. Projects will be undertaken to assist program managers to overcome operational or programmatic problems. In 1991, we plan to conduct five projects.

(d) Planning, and coordinating matches to detect income that is not being reported by applicants or tenants already residing in assisted housing. This includes establishing a plan for conducting a match in each State, and coordinating the match with State Wage agencies and various PHAs or other program administrators. Computer matching has proven to be effective in identifying tenant fraud. For example, in St. Louis, MO., a project identified 778 families who failed to report $14.4 million in income during a 4 1/2 year period. Overpayments of $2.9 million were identified for administrative recovery, and 36 tenants were indicted. During 1991 we plan to conduct five Statewide matches, and institute front-end matching in two more states. Technical assistance and coordination will be provided to Public Housing Agencies who wish to conduct their own matches.

(e) Maintaining a HUD Hotline system for receiving, processing and following up on allegations of fraud, waste and mismanagement in HUD program. This system includes OMB and GAO hotline complaints involving HUD programs. In 1989, the Division received 234 complaints and closed 251 complaints.

(2) ADP Technology and Assistance Division. Current estimates of the Division workload for 1990 and 1991 are illustrated by the following accomplishments during 1989.

(a) Operated and maintained all three of the OIG's administrative data processing systems. These include the Office of Audit's Audit Planning and Operations System, and Automated Audits Management System; and the Office of Investigation's Investigative Case Management System.

As a result of amendments to the Inspector General Act, the Division has increased its activity with the Automated Audits Management System in that IG's are required to track and control disposition of audit recommendations which far exceed in number audit findings which were tracked previously. In addition, the system is now accessed by other HUD program offices for tracking audit recommendations which they have responsibility to control, and for which the Secretary must provide semiannual status reports to the Congress.

(b) Provided computerized data and support to OIG offices on required information which is contained in Departmental ADP systems. HUD program data is converted from the mainframe environment or other systems to formats for auditors and investigators to use on personal computers. This conversion process allows auditors and investigators to be able to further manipulate information that would otherwise not be available to them because of the level of expertise required.

(c) Provided technical support for obtaining automated data from systems other than HUD systems. The Division provides technical support by either communicating with ADP personnel of entities doing business with HUD, or accessing non-HUD systems to provide auditors and investigators with data which is in most cases critical to their assignments.

(d) Developed policies and applications for OIG use of personal computers, word processors and communications and acquired necessary computer equipment. The Division also provides training for applications developed by the Division. Presently, the Division coordinates the application of over 195 personal computers, and provides technical assistance to over 400 microcomputer users.

(3) Publications and Awareness Division. Workload includes:

(a) Carrying out the Fraud Awareness Publication Program (Fraud Information and Program Integrity Bulletins, newsletters, etc.) designed to alert HUD personnel and program participants to areas vulnerable to fraud, waste and mismanagement. These publications are necessary in order for the OIG to fulfill its legislatively-mandated prevention role. They draw upon audit findings to alert first-line program staff to indicators of fraud or other problems, so they can detect it before the Department experiences losses or misappropriation of funds. They draw upon investigative results to show program participants that the Department will not tolerate abuse, which also has a deterrent effect. Recent or in-process publications include bulletins on: (1) alerting HUD staff to abuses by closing agents not remitting funds to HUD, (2) instructing field staff on how to get the most out of Independent Auditor reports, which, if used properly, can alert them to unauthorized or illegal withdrawals or uses of funds, and (3) the HUD Standards of Conduct, distributed to all employees to ensure they are familiar with prohibitions against personal uses of government personnel and property, financial and professional conflicts of interest, and certain post-employment activities.

(b) Carrying out the duties and responsibilities assigned to HUD by the Communications Subcommittee of the President's Council on Integrity and Efficiency (PCIE), as well as other ad hoc requests by the PCIE. Established by the President, the PCIE initiates multi-agency projects and activities designed to provide a cohesive approach to preventing and detecting government fraud, waste and mismanagement. Such activities are supported and funded by the individual OIGs.

(c) Coordinating the preparation and issuance of Inspector General Manual Chapters containing permanent operating instructions, and Inspector General Bulletins containing temporary or special one-time operating instructions. During 1989, 23 Manual Chapters and Bulletins were issued, and during 1990, 22 are scheduled. Nine Manual Chapters are scheduled for development or revision during 1990. Also maintaining, updating, and reviewing HUD handbooks and audit guides that describe the organizational functions of the OIG and prescribe procedures to be followed by independent public accountants performing audits of HUD programs.

(d) Coordinating and analyzing draft HUD issuances (143 during 1989), as well as regulatory and legislative proposals (212 during 1989). Providing recommendations for improving 46 of these issuances and 42 draft regulatory and legislative proposals, as required by the IG Act.

(e) Coordinating the preparation and development of briefing materials for presentation by the Inspector General and other key staff concerning the mission, activities and issues of HUD's OIG.

(f) Planning, coordinating and directing the production and issuance of two semiannual OIG Reports and Digests to Congress in accordance with the Inspector General Act of 1978.

(4) Budget and Administrative Services Division. Workload includes:

(a) Identification of training needs, development of training programs, and administration of employee career development programs. Employee training exceeded 1,000 enrollments and 3,000 staff-days in 1989. This is expected to increase in 1990 and thereafter, because of new Governmentwide audit standards. These standards require that all auditors receive at least 80 hours of professional training every 2 years.

(b) Providing administrative guidance and support on all administrative matters for 492 employees in ten Regional Offices and Headquarters.

(c) Preparing all budget submissions, and controlling the expenditure of $30.7 million in OIG's 1990 appropriation.

(d) The division's record center is the focal point for all Freedom of Information Act Requests received by the OIG. During the first four months of 1990 they have received and processed 332 FOIA requests. Other record maintenance and information retrieval workload are summarized in the following table:

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	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Previous Participation Requests.........	38,000	40,000	42,000	+2,000
Correspondence...........................	116,000	117,000	118,000	+1,000
Index References.........................	8,000	8,500	9,000	+500
Reports..................................	5,200	5,950	6,700	+750
FBI..................................	(800)	(850)	(900)	(+50)
Audit................................	(2,000)	(2,500)	(3,000)	(+500)
OIG-Investigation....................	(2,400)	(2,600)	(2,800)	(+200)

PROCUREMENT MANAGEMENT CONTROLS AND THE ACCURACY OF DATA SUBMITTED TO THE FEDERAL PROCUREMENT DATA CENTER

Section 307(b) of the Supplemental Appropriations Act of 1980 requires each Inspector General to submit to Congress (along with the Agency's Budget Justification) a report on the progress of the Agency in establishing effective procurement management controls and improving the accuracy and completeness of the information provided to the Federal Procurement Data System (FPDS) on contracts for consulting services.

In August 1988, the Inspector General performed an evaluation on HUD's progress in developing procedures to implement the controls specified in Office of Management and Budget (OMB) Circular A-120, as revised in January 1988. Also reviewed were those control procedures pertaining to the accuracy of input to the Federal Procurement Data System (FPDS).

The evaluation indicated that HUD had developed the procedures necessary to implement OMB's January 1988 Guidelines for the Use of Advisory and Assistance Services.

Tests indicated that HUD was generally complying with its revised procedures for controlling Advisory and Assistance Services and was accurately reporting award data to FPDS. However, it was noted that the content of the justifications could be improved and that more attention was needed to assure that the justifications were always placed in the official contract file. This matter was discussed with appropriate management officials who agreed to issue supplemental instructions placing greater emphasis on these matters.

While the tests did not disclose any errors in classification or data entry to HUD's automated system, it was noted that:

-- Different staff members could legitimately reach different conclusions as to the most appropriate FPDS Service Code. It was understood that OMB plans to address this matter; and,

-- Some data had been reported incorrectly to the FPDS system. The Office of Procurement and Contracts (OPC) advised that the most recent FPDS data edits showed a number of minor errors. OPC also advised that most of these errors were caused by an ADP programming problem, which was being corrected.

In January 1990, the Inspector General completed an evaluation of controls over HUD's use of Advisory and Assistance Services in fiscal year 1989. HUD's automated system reported 354 Advisory and Assistance Services procurement actions during fiscal year 1989, with obligations totaling $37,258,773. The report indicates that HUD was generally in compliance with OMB requirements for controlling Advisory and Assistance Services, and for reporting accurate award data to FPDS. However, the limited testing disclosed some cases where contract justifications were not complete, or FPDS data was inaccurate or incomplete. HUD's Office of Procurement and Contracts needs to more stringently enforce the Advisory and Assistance control procedures. The Office of Procurement and Contracts has already corrected the FPDS errors.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

OFFICE OF INSPECTOR GENERAL

TITLE & GRADE	1989	1990	1991
EXECUTIVE LEVEL IV INSPECTOR GENERAL	1	1	1
ES-6 DEPUTY INSPECTOR GENERAL	1	1	1
GS/GM-15	2	2	2
GS/GM-14 AND BELOW	3	3	4
TOTAL FTPS	7	7	8
FTE WORK-YEARS	7.0	7.0	8.1
AVERAGE EMPLOYMENT	7.0	7.0	8.1
PERSONAL SERVICES	$414	$432	$497

OFFICE OF INVESTIGATION

TITLE & GRADE	1989	1990	1991
ES-4 ASSISTANT INSPECTOR GENERAL	1	1	1
GS/GM-15	2	2	2
GS/GM-14 AND BELOW	16	17	19
TOTAL FTPS	19	20	22
FTE WORK-YEARS	19.0	20.1	22.1
AVERAGE EMPLOYMENT	19.0	20.3	22.3
PERSONAL SERVICES	$988	$1,030	$1,079

OFFICE OF MANAGEMENT AND POLICY

TITLE & GRADE	1989	1990	1991
ES-3 ASSISTANT INSPECTOR GENERAL	1	1	1
GS/GM-15	4	5	5
GS/GM-14 AND BELOW	38	39	46
TOTAL FTPS	43	45	52
FTE WORK-YEARS	43.0	45.1	52.3
AVERAGE EMPLOYMENT	43.0	45.2	52.4
PERSONAL SERVICES	$1,942	$2,026	$2,462

OFFICE OF AUDIT

TITLE & GRADE	1989	1990	1991
ES-6 ASSISTANT INSPECTOR GENERAL	—	1	1
ES-4 ASSISTANT INSPECTOR GENERAL	1	—	—
ES-3 DEPUTY ASSISTANT INSPECTOR GENERAL	1	1	1
ES-2 DEPUTY ASSISTANT INSPECTOR GENERAL	1	1	1
GS/GM-15	7	8	8
GS/GM-14 AND BELOW	25	21	38
TOTAL FTPS	35	32	49
FTE WORK-YEARS	36.6	32.1	49.3
AVERAGE EMPLOYMENT	37.3	32.3	49.5
PERSONAL SERVICES	$2,906	$3,032	$3,762

REGIONAL INSPECTORS GENERAL FOR INVESTIGATION

TITLE & GRADE	1989	1990	1991
GS/GM-15	7	7	7
GS/GM-14 AND BELOW	75	75	97
TOTAL FTPS	82	82	104
FTE WORK-YEARS	82.2	82.2	104.6
AVERAGE EMPLOYMENT	82.8	82.6	105.1
PERSONAL SERVICES	$3,701	$3,881	$4,916

SUMMARY
OFFICE OF INSPECTOR GENERAL

TITLE & GRADE	1989			1990			1991		
	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL	HQ	FIELD	TOTAL
EXECUTIVE LEVEL IV	1	—	1	1	—	1	1	—	1
ES-6	1	—	1	2	—	2	2	—	2
ES-4	2	—	2	1	—	1	1	—	1
ES-3	2	—	2	2	—	2	2	—	2
ES-2	1	—	1	1	—	1	1	—	1
GS/GM-15	15	18	33	17	18	35	17	18	35
GS/GM-14 AND BELOW	82	369	451	80	370	450	107	396	503
TOTAL FTPS	104	387	491	104	388	492	131	414	545
FTE WORK-YEARS	105.6	387.5	493.1	104.3	388.7	493.0	131.8	416.4	548.2
AVERAGE EMPLOYMENT	106.3	388.8	495.1	104.8	390.4	495.2	132.3	418.1	550.4
PERSONAL SERVICES	$6,250	$16,109	$22,359	$6,520	$16,825	$23,345	$7,810	$18,263	$26,073

REGIONAL INSPECTORS GENERAL FOR AUDIT

TITLE & GRADE	1989	1990	1991
GS/GM-15	11	11	11
GS/GM-14 AND BELOW	294	295	299
TOTAL FTPS	305	306	310
FTE WORK-YEARS	305.3	306.5	311.8
AVERAGE EMPLOYMENT	306.0	307.8	313.0
PERSONAL SERVICES	$12,408	$12,944	$13,347

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND

The Working Capital Fund (WCF) is authorized by Section 7(f) of the Department of Housing and Urban Development (HUD) Act of 1965 (79 Stat. 670). Centralized automated data processing (ADP) services are provided through this activity to all elements of the Department on a reimbursable basis. WCF staffing and funding requirements are summarized below, followed by a more detailed discussion of ADP plans and accomplishments.

ACTIVITY HIGHLIGHTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Total Budget Activity	$78,053	$88,308	$86,180	$119,654	+$33,474
Full-time permanent appointments, end of year	275	276	276	276	...
Full-time equivalents	288.9	279.8	279.8	279.8	...
Staff-years	292.7	283.8	283.8	283.8	...

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

SUMMARY OF BUDGET REQUEST

The 1991 staffing request is for 276 full-time permanent (FTP) positions, 279.8 full-time equivalents (FTE's), and 283.8 staff-years. There are no changes from the 1990 levels.

The 1991 funding request is for $119,654 thousand, an increase of $33,474 thousand from the 1990 current estimate. This increase is primarily to pay for developmental costs associated with the HUD Integrated Information Processing Service (HIIPS). Substantial additional funds are also requested for systems development activities to support the Secretary's program and financial reform initiatives. Both of these increases are discussed in more detail below.

FUNDING

The following table shows actual obligations for 1989 and estimated obligations for 1990 and 1991 for the WCF by object class.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Personal Services	$14,201	$14,200	$14,700	$15,162	+$462
Travel and Transportation of Persons	230	209	352	305	-47
Transportation of Things	12	54	62	77	+15
Rent, Communications, and Utilities	7,536	14,667	11,735	15,100	+3,365
Printing and Reproduction	224	227	245	238	-7
Other Services	47,084	55,687	54,451	83,185	+28,734
Supplies and Materials	947	506	1,526	1,544	+18
Furniture and Equipment	7,819	2,758	3,109	4,043	+934
Total a/	78,053	88,308	86,180	119,654	+33,474

a/ The difference between the total obligations shown here and the total amount of funds transferred into the WCF, shown in the Sources of Funds table (page I-3), reflect the depreciation of capitalized equipment purchases. These depreciated costs are charged back to users and paid into the Reserve for Replacement of Equipment for future capital equipment purchases.

Working Capital Fund

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN THE 1990 BUDGET

Actual 1989 obligations of $78,053 thousand were $103 thousand more than the estimate of $77,950 thousand included in the 1990 Budget. This reflected increased equipment purchase costs associated with the conversion from lease to purchase of HUD Teleprocessing Network (HUDNET) equipment, partially offset by reduced equipment leasing costs for HUDNET. The Congressional Appropriations Committees approved a reprogramming in February 1989 to transfer funds from the Reserve for Replacement of Equipment to the WCF for this purpose.

2. CHANGES TO 1990 BUDGET ESTIMATES

The 1990 Current Estimate is $2,128 thousand less than the 1990 Budget Estimate. This reflects the net result of Congressional action, the Section 517 reduction and sequestration in accordance with the Gramm-Rudman-Hollings Act. The reduction is the net effect of the following changes:

-- an increase of $500 thousand for increased personal services costs, resulting from the general pay increase which was effective in January 1990;

-- an increase of $143 thousand in travel expenses to support the implementation of new and modified automated systems;

-- a decrease of $2,932 thousand in rent, communications, and utilities, primarily reflecting reduced equipment leasing costs resulting from the conversion from lease to purchase in 1989 of HUDNET equipment;

-- a decrease of $1,238 thousand in other services, made necessary by the sequestration of 1990 funds, which resulted in a reduction in the funds available to begin HIIPS systems conversion activities;

-- an increase of $1,022 thousand in supplies and materials, primarily to purchase software tools to improve database administration and to make the systems development process more efficient;

-- an increase of $351 thousand in furniture and equipment, which primarily reflects office automation equipment requirements; and

-- a net increase of $26 thousand in all other objects of expense.

3. ANALYSIS OF 1991 INCREASES AND DECREASES

There is an increase of $33,474 thousand from the 1990 Current Estimate to the 1991 request. Most of this increase reflects costs associated with the development of HIIPS, which is discussed in detail in subsequent sections. Also included is $8 million for systems development activities to support the Secretary's program and financial management reform initiatives.

The increase in 1991 is the net effect of the following:

-- an increase of $462 thousand for increased personal services costs;

-- an increase of $3,365 thousand in rent, communications, and utilities, reflecting initial equipment leasing costs for the HIIPS development/conversion effort;

-- an increase of $28,736 thousand, reflecting systems development/conversion costs for HIIPS, as well as substantially increased systems development activity in support of the Secretary's program and financial management reform initiatives;

-- an increase of $934 thousand in furniture and equipment, which reflects equipment requirements associated with implementation of new automated systems and enhancements; and

-- a net decrease of $23 thousand in all other objects of expense.

4. SOURCES OF FUNDING

The following table shows the sources of funding for the WCF. It reflects the actual income, by "customer," transferred into the WCF during 1989 and the estimated income to be transferred during 1990 and 1991. In 1990, a separate appropriation was established for the Office of the Inspector General (OIG). Beginning in that year, transfers are made from that appropriation to provide ADP services to OIG.

CUSTOMER	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Salaries and Expenses, HUD:					
Housing	$11,453	$14,568	$29,667	$32,724	+$3,057
Public and Indian Housing	3,145	5,463	3,719	5,176	+1,457
Government National Mortgage Association	1,579	—2,543	2,416	2,652	+236
Community Planning and Development	3,460	4,918	4,179	5,008	+829
Policy Development and Research	4,304	5,330	3,984	4,524	+540
Fair Housing and Equal Opportunity	1,519	2,839	1,866	2,710	+844
Departmental Management	1,624	372	1,829	2,066	+237
General Counsel	583	787	727	857	+130
Inspector General a/	1,240	...	...	...	...
Administration	34,473	38,843	25,148	49,463	+24,315
Subtotal	63,380	75,663	73,535	105,180	+31,645
Federal Housing Administration Fund	12,100	12,000	12,000	12,000	...
Inspector General a/	...	637	637	2,757	+2,120
Reserve for Replacement of Equipment	3,942	1,500	1,500	1,500	...
Total b/	79,422	89,800	87,672	121,437	+33,765

a/ Beginning in 1990, OIG is funded by a separate appropriation from which payments for ADP services are made directly to the WCF.

b/ The difference between the total amount of funds transferred into the WCF, as shown here, and the total obligations shown in the Object Class table (page I-1) reflect the depreciation of capitalized equipment purchases. These depreciated costs are charged back to users and paid into the Reserve for Replacement of Equipment for future capital equipment purchases.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The ADP functions of the Department are consolidated in the Office of Information Policies and Systems (IPS), which is a component of the Office of Administration in Headquarters. IPS provides ADP support to the entire Department on a reimbursable basis, through the WCF.

2. WORKLOAD

The following table shows actual 1989 and estimated 1990 and 1991 ADP workload. Two workload indicators have been included: Core Block Standard Units of Processing (CBSUP) and systems development staff-hours. CBSUPs are a composite measure of mainframe computer capacity utilized, including such factors as processing time and memory usage. Staff-hours represent the direct staff-hours expended on systems development activity, by both in-house personnel and contractors.

WORKLOAD INDICATOR	ACTUAL 1989	ESTIMATE 1990	ESTIMATE 1991
Core Block Standard Units of Processing (Hours)	7,181,123	7,450,000	7,725,000
Systems Development Staff-Hours	793,619	730,000	908,000

Working Capital Fund

The estimated number of staff-hours for 1990 is lower than actual 1989 staff-hour usage, because the 1989 total includes staff-hours delivered during the year but paid from prior year obligations. The projected increase in staff-hours from 1990 to 1991 reflects the utilization of the $8 million requested for systems development support for the Secretary's program and financial reform initiatives, as discussed above.

3. SUMMARY OF STAFFING REQUIREMENTS

The following table shows the actual 1989 and projected 1990 and 1991 distribution of IPS staff:

	FULL-TIME PERMANENT APPOINTMENTS				
	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Office of the Director:					
Immediate Office..................	7	4	4	4	...
Resource Management Staff.........	14	15	15	15	...
Contract Management Staff.........	10	...	...	...	...
Subtotal.......................	31	19	19	19	...
Information Policy and Management Division................	12	13	13	13	...
Computer Services Group:					
Office of the Director............	4	5	5	5	...
HIIPS Oversight Staff.............	...	15	15	15	...
Evaluation and Contracts Staff....	5	10	10	10	...
Computer Management Division......	40	35	35	35	...
Teleprocessing Management Division........................	30	28	28	28	...
Subtotal......................	79	93	93	93	
Systems Engineering Group:					
Office of the Director............	5	5	5	5	...
Project Management Staff..........	10	10	10	10	...
Administrative Systems Division...	31	28	28	28	...
Mortgage Insurance Accounting Systems Division................	23	24	24	24	...
Departmental Systems Division.....	36	34	34	34	...
Housing Systems Division..........	31	33	33	33	...
Development Technology Division...	17	17	17	17	...
Subtotal......................	153	151	151	151	...
Total Full-Time Permanent Appointments, End of Year.........	275	276	276	276	...
Staff-Years.........................	292.7	283.8	283.8	283.8	...

NOTE: Full-time permanent figures are estimates based on a calculation of the permanent positions made affordable by staff-years. They are not control numbers and may vary depending on conditions.

ADP PLANS AND ACCOMPLISHMENTS

The Department's automation program encompasses two areas: computer operations/teleprocessing and systems development/maintenance. Major 1989 accomplishments and currently planned 1990 and 1991 activities in each of these areas are discussed in more detail below.

1. COMPUTER OPERATIONS/TELEPROCESSING

Computer processing for Departmental programs and administrative activities is provided primarily through the in-house HUD Data Center, which operates 24 hours a day, 7 days a week. The Center is equipped with three mainframe computer systems and a variety of support equipment. This in-house computing capacity is augmented by an offsite computer facility with a fourth mainframe system and by a commercial timesharing agreement through which additional mainframe computing support is obtained. Seventy-three HUD offices are linked to the HUD Data Center, the offsite facility, and the commercial timesharing service through HUDNET. Field Offices are also linked to the HUD Data Center and the offsite facility through a second teleprocessing network used exclusively for the Computerized Homes Underwriting Management System (CHUMS).

A total of 104 operational systems, as well as all of the Department's systems development workload, are currently processed on these mainframe computers. Provision of computing and teleprocessing services for these systems requires the performance of a broad range of functions, including capacity planning and evaluation; equipment and software planning, acquisition and management; computer operations and production management; and contract management and administration. These functions are performed by HUD personnel, with support from contractors.

In 1989, the Department completed the full integration of the offsite facility into its computer processing operations. Workload was redistributed among the four computer systems to enhance operational performance. Performance of both the HUDNET and CHUMS teleprocessing networks was improved through equipment upgrades and more effective network management. The Department also completed a conversion from lease to purchase of HUDNET equipment, which will result in substantial savings in equipment leasing costs prior to conversion to HIIPS.

In 1990, the Department will complete implementation of a standardized office automation environment in all Headquarters and Regional Offices and in most HUD Field Offices. Local area networks, linked together through HUDNET, will be used to provide users in these offices with access from their microcomputer workstations to a wide array of office systems software; a nationwide electronic mail system; and microcomputer- and mainframe-based automated systems and databases which support the Department's program and administrative work processes.

In late 1990, a 30-month HIIPS development/conversion effort will also begin. Vendor proposals received in response to the HIIPS solicitation have been evaluated, and discussions with vendors concerning the proposals are largely complete. The Department will issue a call for "Best and Final" proposals soon. Award of a HIIPS contract is expected during the fourth quarter of 1990, with the development/conversion effort beginning immediately thereafter.

HIIPS is planned to provide all of the Department's computing, teleprocessing, and related operational support for the next decade. The Department currently acquires this support through a number of different contracts which are expiring and are being recompeted in accordance with General Services Administration (GSA) regulations. Under HIIPS, all of this support will be consolidated into a single contract. This consolidation will be considerably more efficient than the current method of separate procurements and individual contract management, and will result in substantial cost savings over the life of the HIIPS contract.

HIIPS will contribute to the objective of providing more complete and accurate management information to HUD program managers by making it easier to integrate application systems, which will ensure the consistency of the data in these systems and permit more effective use of this data. HIIPS will also eliminate the present fragmentation of the Department's computing operations by consolidating them in a modern computer facility with state-of-the-art equipment; make it possible for the Department to respond more easily in the future to changes in technology; and accommodate the anticipated growth in HUD's computing and teleprocessing workload for the next decade.

In 1991, the HIIPS development/conversion effort will continue. Most of the requested funding increase for the WCF in 1991 is attributable to the costs of this effort, since the 1990 estimate includes only a small initial increment of the total funding which will be required for this purpose. Funding requirements for the HIIPS development/conversion effort will continue in 1992 and 1993, when development/conversion activities are planned to be completed. In evaluating the requested funding increase for HIIPS, it is important to note that substantial development/conversion costs would be incurred even if the present system of multiple contracts were retained, due to the GSA requirement to compete existing contracts as they expire.

The principal objectives to be accomplished during the development/conversion phase will be the acquisition and testing of new computer and teleprocessing equipment and the conversion of ADP application systems to run on this new equipment. Activities which must be completed during this period include the following:

-- converting software;
-- converting to new database management systems and file structures;
-- converting to new operating control language;

-- performing systems testing;
-- performing parallel and acceptance testing;
-- redocumenting systems;
-- preparing Headquarters and Field sites;
-- acquiring, installing, and testing equipment;
-- constructing and making operational a new computer facility; and
-- training HUD technical and program staffs.

Leasing of most existing equipment will continue throughout the development/conversion period, in order to permit the full parallel operation and testing of systems as they are converted. All of the Department's existing computing and teleprocessing support contracts are budgeted for a full year of operation in 1991.

2. SYSTEMS DEVELOPMENT/MAINTENANCE

a. Overview. Systems development/maintenance encompasses the full range of development and maintenance services which must be performed during the system life cycle of an ADP application system. This includes the specification, design, development, testing, implementation and maintenance of the system. These services are performed primarily by contractor personnel, with management and oversight by HUD staff.

In 1990 and 1991, the Secretary has committed the Department to undertaking a broad program of structural and managerial reforms to improve the effectiveness, financial soundness, and managerial integrity of HUD programs. Increased emphasis will be placed on the accountability of individual program managers, which will depend upon the provision of more timely, complete, and accurate financial and program information to these managers. This will require major enhancements to the Department's automated information systems, particularly its financial management systems. Improved internal controls and changes in automated accounting systems to correct previously identified deficiencies and to ensure compliance with generally accepted accounting principles and standards will also be required.

In support of these initiatives, responsibility for the Federal Housing Administration (FHA) mortgage insurance accounting and cash management functions have been transferred from the Office of Administration to the Office of Housing. This transfer will improve accountability, and improve the quality and timeliness of FHA accounting and reporting, by consolidating responsibilities for program and financial management in a single office. Responsibility for automated information systems supporting FHA mortgage insurance accounting and cash management functions has also been realigned, so that automated data processing support can be provided in a manner consistent with the new structure. Therefore, all systems development activities relating to these systems supporting these functions are addressed in the section for Housing programs in the following discussion.

In support of the Secretary's commitment to more effective fraud prevention, HUD will also be undertaking new initiatives in 1990 and 1991 to bring the Department into full compliance with requirements of the ADP Security Act of 1987. Specific emphasis will be placed on completing extensive ADP security awareness training for managers and technical staff throughout the Department and conducting comprehensive ADP security reviews of selected financial management systems.

Beginning in 1990, the use of systems development funds is being overseen by a new Information Resources Management (IRM) Planning Board. This Board was recently established, with representation from each of the Department's program areas, to ensure direct participation by senior HUD executives in setting policies and priorities for information management and managing the allocation of ADP resources. The Board will review and make recommendations to the Secretary about proposed systems improvement activities and planned ADP funding levels and allocations, in order to ensure that adequate ADP resources are available to support the Secretary's reform initiatives and that they are directed to the areas of highest priority. Systems development plans outlined below for 1990 and 1991 may be revised, as the Secretary makes decisions, based upon recommendations of the new IRM Planning Board, about what systems improvements will receive priority in the allocation of the Department's limited ADP resources.

b. Housing Programs. HUD operates and maintains 33 mainframe systems and several microcomputer systems in support of Housing programs, including the FHA mortgage insurance accounting and cash management functions transferred this year from the Office of Administration to the Office of Housing.

Working Capital Fund

During 1989, the following was accomplished:

-- Implementation of Phase I of the Multifamily Information Processing System (MIPS) was completed. This system subsumed the Office of Loan Management System and automated the initial application and cost analysis functions for new insured multifamily projects. Development continued on the MIPS National Database, which will provide a central management information system for use in meeting reporting and management requirements.

-- Development began on a new Tenant Review and Certification System (TRACS), formerly named Tenant Eligibility Housing Assistance Voucher System (TEHAVS), which will automate the processing and certification of tenant eligibility forms and voucher payments.

-- The Consolidated Single Family Statistical System (CSFSS) was fully implemented, and the operations of nine older systems replaced by CSFSS were discontinued. In addition, 24 new automated reports were developed for CSFSS to support the requirements of the new Home Mortgage Disclosure Act.

-- The Sales Management of Acquired Real Estate Tracking System was developed and implemented in the Denver office, which has a larger inventory of HUD-owned properties than any other HUD Field Office. This System provides a local database containing information required for marketing HUD-owned properties, and a voice response system to handle several hundred telephone calls per day regarding the status of these properties and the methods to be used in selling them. These calls were previously handled by realty specialists, who can now devote their time to property sales.

-- Development began on a redesign of the Management Objectives Reporting System (MORS). The redesign will consolidate all data into a centralized database to provide better control and more flexibility in the use of data and will significantly reduce the processing time associated with the current system. In addition, access to the System will be extended to the Field Office level, and Field Office staff will be provided with on-site reporting capabilities.

-- Development continued on the One-Time Premium Collection and Distributive Shares and Refund subsystems of the new Single Family Mortgage Insurance System.

-- On-line access to and retrieval of information from systems supporting single family insurance accounting functions were provided to designated Field Offices.

-- The One-Time Mortgage Insurance Premiums System was enhanced to provide the capability for banks/mortgagees to submit changes directly to HUD via electronic mail.

-- Interfaces between Title I systems and the Delinquent Debt Control System were developed to allow sharing of information concerning delinquent accounts.

-- Development began on changes from fixed to variable rate calculations for manufactured housing in the Title I System. This allows collection of larger premiums during the high risk period of Title I loans to provide more security in the event of default.

-- Selected enhancements were made to CHUMS, including the following:

  * Development of computer-based training for Field Office staff on the use of CHUMS support files and the functions performed by local CHUMS coordinators;

  * Implementation of software to process mortgage insurance applications under the new Home Equity Conversion Mortgage Program, and to allocate and track usage of the 2500 housing units included in this program;

  * Development of an automatic prompting capability for on-site field reviews to ensure that a minimum number of quality control reviews are performed on each appraiser's work;

- Development of a flagging mechanism which enables Field Office staff to mark individual cases for closer scrutiny before a commitment or Mortgage Insurance Certificate is issued, and automatically flags cases for further review under certain conditions;
- Inclusion of a new report scheduler function which allows Field Office staff to control the production schedule for many of their reports; and
- Improvements to the interface between CHUMS and the Critical Path Processing System which tracks properties acquired after foreclosure of a HUD mortgage.

During 1990, the following will be accomplished:

-- Development will continue and implementation will begin on the MIPS national database.

-- Development of TRACS will continue. The Control Files Subsystem will be implemented nationwide, and development of the tenant certification and voucher processing functions in TRACS will begin.

-- A Compliance Case Tracking System for multifamily housing programs will be developed and implemented. This system will provide automated monitoring and tracking capabilities for ongoing investigations of new applicants and for investigations related to suspected fraud.

-- Enhancements will be made to CSFSS to allow users to access mainframe files to perform direct inquiries, and to allow downloading of data from mainframe to microcomputers so that users can manipulate data and develop customized reports to meet their individual needs. Work will also continue on CSFSS to provide additional reports to support the requirements of the 1989 Mortgage Disclosure Act.

-- Development will be completed on the redesign of MORS, and the new system will be implemented in all Regional and Field Offices.

-- The Distributive Shares and Refund subsystem of the new Single Family Mortgage Insurance System will be completed and implemented, and work will continue on the One-Time Premium Collection subsystem.

-- Implementation of changes in the Title I calculations for manufactured housing will be completed.

-- The Multifamily Insurance System will be modified to combine the billing and accounts receivable databases, in order to facilitate the account reconciliation process and improve the accuracy of data used for program monitoring.

-- Enhancements to CHUMS will continue, including the following:

- Development of new computer-based training modules for Conditional Commitment and Direct Endorsement processing.
- Automation of files of approved subdivisions, planned unit developments, and condominiums for use in processing single family cases to ensure that properties in ineligible areas do not receive commitments.
- Automation of the tracking of the ratio of investors to occupant mortgagors with insured mortgages in individual condominium projects to ensure compliance with statutory limits on investor participation.
- Provision of reports on underwriters and Direct Endorsement lenders across jurisdictional boundaries, on request, when the lender or underwriter is seeking to expand operations into additional HUD jurisdictions.
- Development of system capability to assign compliance inspectors in rotation, track the number of inspections performed, and record Field reviews of inspections.

- Transfer of CHUMS Lender Access System (CLAS) software from Field Office microcomputers to the mainframe computer, and expansion of CLAS features to include the electronic transmission of reports to lenders.

- Development of the capability to randomly select cases for Field review.

In 1991, the following activities are planned:

-- Implementation of the MIPS National Database will be completed.

-- Implementation of the tenant certification and voucher processing function of TRACS will begin.

-- Development will begin on enhancements to the Multifamily Insurance System to automate the entire Multifamily claims process.

-- A microcomputer system will be developed to interface with the Title I System to support the claims check tracing process. This system will provide automated methods for processing requests for tracing checks, initiating and transmitting letters to lenders, and performing database searches.

-- The Single Family Premium Collections System will be redesigned to provide on-line access features for database management, and to integrate with Insurance-in-Force processing, which will result in improved accuracy and timeliness of processing.

-- Design and development will begin on a new Single Family Notes System to replace the present contractor-owned and operated system.

-- The One-Time Premium Collection Subsystem of the new Single Family Mortgage Insurance System will be implemented, and development will continue on the Single Family Insurance and Single Family Claims subsystems.

-- Further enhancements will be made to CHUMS, including the following:

  - Development of new computer-based training modules for Firm Commitment processing and HUD-processed endorsements.

  - Modifications to improve Master Conditional Commitment processing by incorporating edit checks against the automated subdivision and builder files; placing limits on the percentage a property's value can change with the addition of alternate features; and relating house models to builders rather than to individual subdivisions.

c. Public and Indian Housing. The Department presently operates and maintains five mainframe systems and a large number of microcomputer systems in support of Public and Indian Housing (PIH). Over the next several years, increased attention will be given to automating PIH and Public Housing Authority (PHA) and Indian Housing Authority activities.

In 1989, the Regional Operating Budget and Obligations Tracking System (ROBOTS) was implemented in all Field Offices. A Multifamily Tenant Characteristics System (MTCS) database was developed, and initial testing of data collection and basic reporting capabilities was conducted. Phase I of the System for Management Information Retrieval-Public Housing (SMIRPH) was installed in all Regional and Field Offices. Development continued on Phases II and III of SMIRPH, and prototype testing began for Phase II. Design work began on interfaces between SMIRPH and ROBOTS and the PHA master file. The Comprehensive Improvement Assistance Programs module of SMIRPH was incorporated into the Management Information Retrieval System for Indian Housing.

In 1990, MTCS data collection will be initiated for the larger PHA's. Development will continue on MTCS to provide additional reporting capabilities. Work will begin on design of an interface between TRACS and MTCS. Phase II of SMIRPH will be implemented in all Field Offices. Development will continue on Phase III of SMIRPH, and prototype testing in Regional Offices will begin. Development will begin on national databases for SMIRPH, to provide Headquarters with access to Regional and Field Office data and Regional Offices with access to Field Office data. This data will be used to conduct analyses and to respond to Congressional reporting requirements. The interfaces between SMIRPH and ROBOTS and the PHA master file will be implemented.

In 1991, MTCS data collection will be expanded to include most of the remaining PHA's. The interface between MTCS and TRACS will be developed. Phase III of SMIRPH and the SMIRPH national databases will be implemented.

d. Government National Mortgage Association. HUD operates and maintains one mainframe system in support of Government National Mortgage Association (GNMA) activities: the Mortgage-Backed Securities-Issuer and Pool Management System (MBS/IPMS). This system supports various aspects of the GNMA program, which guarantees the timely payment of principal and interest on securities backed by pools of FHA, Veterans Administration, and Farmers Home Administration mortgages. This system is essential for GNMA's management of its large and growing volume of mortgage-backed securities. It has an automated interface with the Mortgage-Backed Securities System maintained by Chemical Bank in New York to track pool balance collection data for GNMA securities issued by the Bank as agent for GNMA.

In 1989, the MBS/IPMS database was reorganized to increase the number of issuers and pools which the system can accommodate, and a capability was added to the system to report overdue Issuer's Financial Statements. The interface between MBS/IPMS and the Chemical Bank database was also enhanced to pass information between the two systems about the creation and approval of new pools. In addition, a number of new microcomputer systems were developed to enhance GNMA's ability to analyze program information. These new systems run on a Local Area Network (LAN) in GNMA. They include an Electronic Receipt and Analysis System, a Default Management System, a Pool Transfer System, and a new automated accounting system. All of these microcomputer systems utilize information which is downloaded from MBS/IPMS.

In 1990, a method will be developed to share data between GNMA systems and the systems which support the FHA mortgage insurance programs. In addition, work will begin to move a number of functions now performed by the MBS/IPMS Commitment Line Subsystem to the GNMA LAN to facilitate broader access to the database and provide enhanced analytical capabilities to GNMA staff. Additional financial reporting capabilities will also be added to several of the new microcomputer systems developed in 1989.

In 1991, GNMA will begin collecting case numbers for all new pools through the MBS/IPMS and providing data for interface with the FHA systems. Work will also continue to move functions performed by the MBS/IPMS Commitment Line Subsystem to the GNMA LAN.

e. Community Planning and Development. HUD operates and maintains eight mainframe systems and several microcomputer systems in support of Community Planning and Development (CPD) programs. A substantial portion of the systems development/maintenance resources which support CPD systems each year are used to maintain and extract information from databases in support of such programmatic functions as Community Development Block Grant (CDBG) entitlement determinations and production of the CDBG Annual Report to Congress. Over the next few years, significant effort will be devoted toward systems development work related to programs for the homeless.

In 1989, enhancements to the Minority Business Enterprise System were implemented in Regional Offices to allow the input and electronic transmission of data received from CPD grantees. This eliminated the previous procedure of receiving manual information from grantees and mailing the information to Headquarters for keypunching. The Field Office Reporting and Management System/CPD (FORMS/CPD) was modified to allow the input of data through Field Office microcomputers and the electronic transmission of data between Headquarters and Field Offices. The Enterprise Zones System was modified to incorporate revisions in the legislation relating to definition of and application processing for Enterprise Zones. A major redesign of the Demographic Eligibility and Allocations System was initiated to accommodate changes in program requirements since the system was originally designed, to enhance the system to make it more efficient and flexible, to prepare the system for 1990 census information, and to incorporate information related to the homeless. Additional reporting capabilities were added to the Emergency Shelter System to support Congressional reporting requirements and the information needs of the Interagency Council on the Homeless. Office automation continued with the installation of electronic communication capabilities among Regional, Headquarters, and Field Offices.

In 1990, a major systems development effort will begin in support of programs for the homeless, including the following:

- A Title V Surplus Property System will be developed, which will automate the process used by agencies to identify and describe surplus property which may be suitable for use by the homeless. The system will process proposals through use of standardized formats and decision rules, retain information on surplus property in a centralized database, and generate decision letters to other agencies on their proposals.
- Development will begin on enhancements to the Homeless Assistance Management Information System (HAMIS) to streamline collection of data related to funds allocation, application processing, and grantee performance, and to accommodate the information needs of the Interagency Council on the Homeless.
- Enhancements to the Supportive Housing Tracking System and the Supplemental Assistance for Facilities to Assist the Homeless System will be developed to incorporate revisions to regulations on the criteria for successful applications, and to provide reports to support project management.

Systems development efforts will also continue on other CPD systems in 1990. Enhancements to the Minority Business Enterprise System will be implemented in all Field Offices. Development will continue on the redesign of the Demographic Eligibility and Allocations System. Development will begin on enhancements to the Enterprise Zones System to provide additional monitoring and reporting capabilities. Development will also begin on enhancements to the Annual Report to Congress System to eliminate manual data entry processes, to include information required to prepare national level reports, to include capabilities for economic impact analysis of specific areas, and to incorporate information related to the homeless. Modifications to FORMS/CPD will be initiated to incorporate supportive housing information, and to provide capabilities for users to extract required data from the database using simple query procedures. The Urban Homesteading Management Information System will be enhanced to allow closer control and tracking of local housing authorities and to provide additional reporting capabilities. Overall efforts will continue to eliminate manual processing of information from grantees, through enhancements to CPD systems to allow automated entry of grantee reports directly into HUD databases.

In 1991, development will continue on enhancements to HAMIS. Work will also continue on enhancements to the Annual Report to Congress System. The redesign of the Demographic Eligibility and Allocation System and the modifications to FORMS/CPD will be implemented, and development and implementation of enhancements to the Enterprise Zones System will be completed.

f. Policy Development and Research. The Department operates and maintains six mainframe systems in support of Policy Development and Research (PD&R) functions. In addition, continuing technical support is provided, as required. No major system development projects are planned in 1990 and 1991.

g. Fair Housing and Equal Opportunity. HUD operates and maintains six mainframe systems and several microcomputer systems in support of Fair Housing and Equal Opportunity (FHEO). Increased support has been and will continue to be provided to FHEO for implementation of the new Fair Housing Amendments Act of 1988.

In 1989, the Compliance Determination Phase of the Title VI Compliance Review System was implemented in all Regions, and design efforts began for the PHA Selection Phase. Development continued on the Entitlement Monitoring System, which will support program requirements for monitoring of entitlements granted by the Federal Government. The Housing Assistance Plan and Benefits and Service portions of the Entitlement Monitoring System were implemented in all Field Offices. Development began on an interface between the Entitlement Monitoring System and the CPD Activity Management and Reporting System (AMRS) to allow file transfers between the two systems. The Public Housing Affirmative Compliance Agreements System was developed and provided to PHAs for use in conducting self-evaluations regarding Title VI compliance. Modifications to the Title VIII Compliance Review System were initiated to incorporate the requirements of the new Fair Housing Amendments Act.

In 1990, development will begin on the PHA Selection Phase of the Title VI Compliance Review System, which will include interfaces with MTCS and TRACS. These interfaces will provide FHEO with better tools for monitoring compliance with civil rights laws and regulations and will provide information for responding to Congressional reporting requirements. Significant efforts will continue in support of the requirements of the Fair Housing Amendments Act, including implementation of enhancements to the Title VIII Compliance Review System. Development will begin on a new Fair Housing Initiatives Program System (FHIPS), which will provide automated tracking of funding, expenditures, and program status.

In 1991, the FHA Selection Phase of the Title VI Compliance Review System will be implemented in all Regions. Development and implementation will be completed for the FHIPS. The Fair Housing Amendments portion of the Entitlement Monitoring System will also be implemented. The Title VIII Compliance Review System will be expanded to provide support for compliance investigations through production of automated reports which can be shared electronically between Headquarters and Field Offices.

h. Departmental Management/Legal and Audit Services. HUD operates and maintains two mainframe systems in support of Departmental management activities carried out in the Office of the Secretary/Under Secretary; three mainframe systems in support of the Office of General Counsel (OGC), which provides legal services for the Department; and five mainframe systems in support of the OIG, which provides audit services for the Department. In addition, three mainframe systems are operated and maintained in support of Regional and Field Office management, and a number of microcomputer systems are maintained in support of legal and audit services.

In 1989, continuing support was provided for conversion of OGC to a microcomputer environment with immediate access to OGC computer systems and databases and the sharing of software and data. Case tracking and reporting capabilities were developed to assist OGC and the Administrative Law Judges in managing case loads for the Fair Housing Amendments Act. Enhancements were made to microcomputer programs used by Regional and Field Office legal staff, including the Quarterly Work Measurement Survey and Defensive Foreclosure Systems, to improve the quality and timeliness of Field reports to Headquarters.

In 1989, development also began and pilot testing was conducted on Phase I of the Automated Performance Evaluation Review System (APERS), which will automate the Field performance evaluation process and produce final review reports for the Deputy Under Secretary for Field Coordination. A new Automated Correspondence On-Line Response Network (ACORN) System was developed and implemented in Headquarters and Regional Offices to track correspondence. A new Master Schedule System was developed and implemented for the Office of Public Affairs. Development was completed on an automated interface between the HUD and GSA Debarment Systems, and major modifications to the OIG Automated Audits Management System were implemented, primarily to meet the new reporting requirements of the Inspector General Act Amendments of 1988. Other enhancements to OIG systems were implemented to support information needs, including an interface between the Automated Audits Management System and the Independent Accountant Tracking Module of the Audit Planning and Operations System, and improvements in reporting capabilities of the Investigative Case Management System and the OIG Name Indices System.

In 1990, the portion of the OGC Case Tracking System related to the Fair Housing Amendments Act will be modified to provide shared access to databases and a shared file facility. The remaining portions of the Case Tracking System will be modified to allow sharing of data among Regions and between Regions and Headquarters. ACORN will be expanded to include all Field Offices. Development will begin to incorporate tracking of manufactured housing actions into the OGC Case Tracking System. OGC Headquarters and Regional Counsels' offices will be provided with text storage and retrieval capabilities through the new Directives Access System (DAS), which also provides similar support to other HUD offices. This new system will allow full text retrieval of the Code of Federal Regulations and other legal publications, as well as customized legal-based text retrieval, indexing, and search capabilities for documents and memoranda generated by OGC. Development will continue on Phase II of APERS, which will include information inquiry modules and adaptation of the system to a LAN environment to provide local access to databases. The OIG Name Indices System and Investigative Case Management System will be enhanced to support information needs for audits and investigations. Development will begin on a nationwide management information system for OIG, which will allow rapid sharing of data while maintaining data security.

In 1991, the portion of the OGC Case Tracking System related to the Fair Housing Amendments Act will undergo major revisions to provide for the electronic transfer of reports from Regional Offices to Headquarters. Modules for Interstate Land Sales Programs and Tort Claims will be added to the OGC Case Tracking System, and development will be completed on the addition of manufactured housing actions to the Case Tracking System. Development will begin on Phase III of APERS, to provide access to the centralized APERS database by all HUD program offices nationwide. The OIG Investigative Case Management System will be converted to a microcomputer application to provide more efficient and cost effective operations for file access, file updates, and reporting.

i. Administration. The Department operates and maintains 32 mainframe systems and a number of microcomputer systems in support of the Department's centralized administrative functions, which include budget, finance and accounting for non-FHA programs, administrative services, information resources management, procurement, personnel and training, and productivity and management analysis. In 1990 and 1991, emphasis will be placed on correcting deficiencies and improving internal controls within the Department's accounting and financial management systems.

In 1989, accomplishments included the following:

-- Development began on a project to integrate the Section 202 Elderly/Handicapped Loan Program System construction processes into the Program Accounting System (PAS) and the Letter of Credit Control System (LOCCS).

-- A voice response system was designed to provide on-line inquiry for rental rehabilitation users of LOCCS, and LOCCS was expanded to incorporate voucher payment processing for supportive housing, rental assistance, rent supplement, and bond payment.

-- The Multifamily Excess Rental Income System was enhanced to allow daily data transmission from private banks to HUD, and to provide on-line correction, input, and update capabilities. These enhancements substantially reduced the time required to collect this data.

-- Development began on a generalized disbursement system in support of the Department's 5-year automation plan for accounting systems.

-- The new DAS was developed to provide program offices with on-line access to HUD handbooks, regulations, notices, and the Code of Federal Regulations. The system was pilot tested in Public and Indian Housing offices.

-- A standard office automation environment was developed for installation in all Headquarters and Regional Offices and most HUD Field Offices. As noted above, it will provide each user in these offices with access to standard office systems software and to all microcomputer- and mainframe-based application systems for which the user has approved access.

In 1990, the following will be accomplished:

-- LOCCS will be expanded to incorporate all payments currently being made through the Treasury Check Writing System.

-- Implementation of a replacement accounting system for the Section 202 Elderly/Handicapped Loan Program will be completed.

-- Security will be improved for several accounting and disbursement systems through tighter controls on system access. These systems include the Section 8 Accounting System, LOCCS, and PAS.

-- In support of the Department's 5-year automation plan for accounting systems, development will begin on a project to convert PAS to a standard general ledger for the Department. Work will also continue on a generalized disbursement system.

-- DAS will be installed in other program offices within HUD, and will be expanded to allow automated review of and concurrence with HUD regulations and policy, and to provide automated tracking of regulations during the concurrence process.

In 1991, the following activities are planned:

-- Development will begin on a standard accounts receivable system in support of the Department's 5-year automation plan for accounting systems.

-- Development will begin on an expansion of LOCCS to incorporate a cash control, reconciliation, and reporting process for all cash activities. This will automate the interface with Treasury, provide tighter control over cash transactions, and allow more timely reporting of cash activity.

-- DAS will be implemented in all HUD program offices.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND
DETAIL OF FULL-TIME PERMANENT (FTP) EMPLOYMENT
(PERSONAL SERVICES IN THOUSANDS)

ASSISTANT SECRETARY FOR ADMINISTRATION

OFFICE OF INFORMATION POLICIES AND SYSTEMS AUTOMATED DATA PROCESSING

TITLE & GRADE	1989	1990	1991
ES-4 OFFICE DIRECTOR	1	1	1
ES-4 DEPUTY OFFICE DIRECTOR	—	1	1
ES-3 DEPUTY OFFICE DIRECTOR	1	—	—
GS/GM-15	16	16	16
GS/GM-14 AND BELOW	257	258	258
TOTAL FTPS	275	276	276
FTE WORK-YEARS	288.9	279.8	279.8
AVERAGE EMPLOYMENT	292.7	283.8	283.8
PERSONAL SERVICES	$14,201	$14,700	$15,162

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROPOSED CHANGES IN APPROPRIATION LANGUAGE

Changes in the text of appropriation language--other than changes in dollar amounts or fiscal year designation--are discussed in this Section. The text for the language is based upon Public Law 101-144, Departments of Veterans' Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1990.

HOUSING PROGRAMS

Homeownership and Opportunity for People Everywhere Grants (HOPE)

Language is being proposed to fund a HOPE Grants program at $250 million for 1991. The Language provides that the funds are not available until specifically authorized.

Annual Contributions for Assisted Housing

The existing language for these programs is comprised of two paragraphs with nine provisos. A substantial portion of the language is proposed for deletion in order to remove text which is no longer needed or to conform the language to proposals being made in the 1991 Budget. This includes:

-- Proposed transfer of funds from the Rental Housing Assistance and Section 312 funds into the Annual Contributions account and election of the transfer of $14 million out of this account into Salaries and Expenses.

-- Funding of the various HOPE initiatives proposed in 1991--including a homeownership and a prepayment proposal.

-- Funding for contract renewals and Moderate Rehabilitation Single-Room Occupancy units from Annual Contributions in 1991 and transfer of 1990 balances from these two accounts back into Annual Contributions.

-- Funding for a new "urban homesteading" initiative utilizing HUD-owned properties.

-- Equating the PHA administrative fees at 7.65 percent for vouchers and certificates.

Descriptions of the Annual Contributions for Assisted Housing proposals follow.

Insert, before the first proviso, language permitting the transfer to and merger with the Annual Contributions account, budget authority from the Section 312 and the Rental Housing Assistance Fund.

> " and in addition, to be transferred to and merged under this head, $87,000,000 from the rehabilitation loan fund authorized under section 312(d) of the Housing Act of 1964, as amended (42 U.S.C. 1452b); and all amounts in the reserve fund authorized by section 236(g), notwithstanding section 236(f)(3) and (g)"

This language would permit the transfer of funds to the Annual Contributions account in support of the total program proposed under the 1991 Budget proposals. These amounts would not be needed to fund activities under the Section 312 or the Flexible Subsidy program.

The Budget proposes termination of the Section 312 Rehabilitation Loan program at the end of 1990. It is estimated that $87 million of unobligated Section 312 balances will be available in 1991 for transfer to the "Annual Contributions" account. The Budget also proposes transferring excess rental receipts from the Rental Housing Assistance Fund to Annual Contributions. These excess receipts currently are being transferred to the Flexible Subsidy Fund. Under the budget proposals, sufficient unobligated balances are available to fund the Flexible Subsidy Fund through 1992. It is estimated that $70 million would be transferred to the Annual Contributions account from the Rental Housing Assistance fund in 1991.

Proposed Changes in Appropriation Language

In order to permit the use of Rental Housing Assistance funds for the Section 8 program, language is also being introduced to "notwithstand" certain provisions in authorizing legislation which require that excess rental collections which are deposited into the Section 236 Rental Housing Assistance Fund to be transferred to the Flexible Subsidy Fund.

Delete the phrase "the new budget authority" in the first proviso and insert instead the word "amounts."

Since the amounts being provided for use under the Annual Contibutions account consist of more than just new budget authority--e.g., the transfers referenced above--use of the broader term "amounts," would be more accurate.

Delete that portion of the first proviso which includes the set-aside for public and Indian housing development, modernization and/or major reconstruction.

> "134,373,600 shall be for the development or acquisition cost of public housing for Indian families, including amounts for housing under the mutual help homeownership opportunity program under section 202 of the Act (42 U.S.C. 1437bb); $457,717,000 shall be for the development or acquisition cost of public housing, including major reconstruction of obsolete public housing projects, other than for Indian families; $2,030,000,000 shall be for modernization of existing public housing projects pursuant to section 14 of the Act (42 U.S.C. 1437l); $2,500,000 shall be for technical assistance and training under section 20 of the Act (42 U.S.C. 1437r); $883,830,000,"

The Budget does not include funding for public or Indian housing development activities--other than for amendments to existing contracts. The Department feels that its limited resources would be put to better use by providing assistance which takes advantage of the existing housing inventory, rather than new construction. Modernization funding is being requested under a separate appropriation and the language, therefore, is proposed for deletion in this account.

Delete language in the first proviso providing funding for Section 8 certificates for property disposition activities and for relocation assistance to tenants affected by opt-outs or mortgage prepayment.

> "assist in the relocation of other eligible tenants or for project-based section 8 assistance to help implement plans of action approved under title II of the housing and Community Development Act of 1987; up to $318,545,152 shall be for section 8 assistance for property disposition; $782,521,950"

The Budget proposes language which would offer other types of assistance for these activities. The 1991 Budget includes funding for vouchers--not certificates--to assist tenants adversely affected by owners opting out of the Section 8 program and for relocation assistance. The Budget also includes a new approach to address the mortgage prepayment issue as part of the HOPE initiative.

Insert language in the first proviso to fund 15-year replacement certificates.

> "$108,865,700...be used as replacement for units of public housing (including those for Indian families) converted to homeownership status;"

This is just one part of a "homeownership" component associated with the Department's HOPE initiative for 1991. The $108.9 million requested will support 1,114 15-year certificates to serve as replacement housing for rental units converted to homeownership. These 1,114 certificates, along with 4,886 vouchers will be used for tenant relocation, replacement of rental units converted to homeownership, as rental assistance for non-purchasing tenants and post-sale rental assistance for purchasing tenants.

Delete language providing funding for Section 8 contract amendments.

> "and $1,373,060,823 for amendments to section 8 contracts other than contracts for projects developed under section 202 of the Housing Act of 1959, as amended:

Proposed Changes in Appropriation Language

Consistent with previous appropriations action for Annual Contributions, no separate set-aside is being requested for Section 8 amendments. Provision for amendment funding has been included within the total requested for Annual Contributions. There is no advantage--either from a program monitoring or fund control perspective--to establishing a separate set-aside for this activity and it only limits reprogramming flexibility in the event of unforeseen needs.

Insert language at the end of the first proviso providing funding for several set-asides including: rental adjustments, renewal of expiring contracts, the Moderate Rehabilitation Occupancy (SRO) program and Section 8 mortgage prepayment assistance.

> "$70,000,000 shall be for rental adjustments resulting from the application of an annual adjustment factor in accordance with section 801 of the Department of Housing and Urban Development Reform Act of 1989; $7,734,985,400 shall be for the renewal of expiring subsidy contracts and any assistance for such purpose shall not be for a contract term that exceeds five years; $49,571,300 shall be for the section 8 moderate rehabilitation program (42 U.S.C. 1437f) to assist homeless individuals pursuant to section 411 of the Stewart B. McKinney Homeless Assistance Act (Public Law 100-77); and $411,740,500 shall be for assistance for tenant and nonprofit organizations to purchase projects where owners have indicated an intent to prepay mortgages and for assistance to be used as an incentive to prevent prepayment or for vouchers to aid eligible tenants adversely affected by mortgage prepayment:"

This language provides appropriations for several special set-asides. $70 million is requested to fund rental adjustment requirements accruing to the Department as a result of the "Rainier View" provisions of the HUD Reform Act of 1989. $7.7 billion is being requested for Section 8 contract renewals. The 1990 Appropriation Act provided for this activity under a separate appropriation--distinct from Annual Contributions. Since this represents the renewal of contracts funded previously under the Annual Contributions account, it makes sense to place refunding activity within the same account and not as a separate appropriation. A more complete explanation of the problems caused by a separate account is included in the "Annual Contributions" section of the Justifications. Single Room Occupancy funds are also requested in this account rather than as a separate appropriation. In order to help address the problem of mortgage prepayments, $411.7 million is being requested as part of the HOPE initiative. The funds will be used for the purposes identified in the appropriation language being proposed: purchase assistance, prepayment prevention incentives and tenant assistance.

Delete virtually all of the second proviso which establishes priority, under the incremental voucher program, for persons displaced as a result of Section 17 rental rehabilitation activities.

> "of that portion of such budget authority under section 8(o) to be used to achieve a net increase in the number of dwelling units for assisted families, highest priority shall be given to assisting families, who as a result of rental rehabilitation action are involuntarily displaced or who are or would be displaced in consequence of increased rents (wherever the level of such rents exceeds 35 percent of the adjusted income of such families, as defined in regulations promulgated by the Department of Housing and Urban Development):"

The Department believes that current legislation provides adequate safeguards to protect the interests of lower-income and very low-income families residing in units undergoing rehabilitation.

Section 149 of the HCD Act of 1987 already gives priority to lower-income families who are required to move out of their units because of rehabilitation activities or overcrowding. The 1987 Act also gives PHAs the discretion to provide vouchers to lower-income families who would have to pay more than 30 percent of their adjusted income for rent--after rehabilitation. Section 8(o)(3) of the U.S. Housing Act of 1937, as amended, mandates that preferences be given to families who occupy substandard units, are involuntarily displaced, or who are paying more than 50 percent of income for rent. Furthermore, section 8(v) of the U.S. Housing Act of 1937 was amended by the McKinney Amendments of 1988 which added the following caveat:" the Secretary shall allocate assistance for certificates or vouchers under this section to ensure that sufficient resources are available to address the physical or economic displacement, of existing tenants..."

Proposed Changes in Appropriation Language

Insert language in the second proviso which would implement a component of the Department's "Urban Homesteading" initiative.

> "$329,390,000 shall be used for assistance to tenants and nonprofit organizations to facilitate the purchase of HUD-owned projects: Provided further, That to the extent such funds cannot be used for this purpose, up to two-thirds of these funds may be used for five-year rental vouchers and the remaining one-third may be used for section 8 assistance for property disposition with a term of five years, notwithstanding section 203(d) of the Housing and Community Development Act of 1987:"

In addition to the Urban Homesteading program currently in place, the Department is proposing the use of Section 8 assistance to help tenant groups acquire multifamily properties currently held by FHA. This is expected to cost about $329 million and involve about 10,000 units. This is a new proposal, and to the extent available resources cannot be used for this purpose, language is being proposed which would permit use of a portion of the funds for other property disposition assistance with vouchers and five-year certificates.

Delete the word "less" in the third proviso and insert the word "more."

Language was enacted in the 1990 Appropriations to preclude the Department from entering into loan management renewal contracts for a period of less than 5 years. The change to not more than 5 years is consistent with the Department's proposal to fund loan management units for a 5-year term.

Delete several references in the fourth proviso to allow the funding of administrative fees at 7.65 percent of the FMR.

It is proposed that the word "incremental" and the phrase "or increased in accordance with" be deleted and the phrase "at 7.65 percent, notwithstanding" be inserted into the fourth proviso. The term "incremental" is inappropriate within the context of fee language. The percentage cited in the language pertains to the "ongoing" fee expense and is addressed in terms of a percentage of the two-bedroom Fair Market Rent. The "incremental" fee is paid as a reimbursement for initial start-up costs--also known as preliminary expenses. These fees are stated in terms of an absolute amount--e.g., $250 per unit.

The remaining changes are to allow the Department to equate the voucher and the certificate fee at 7.65 percent of the two-bedroom FMR. A more complete discussion of the fees proposal is included in the "Annual Contributions" section of the Justifications.

Insert language in the fifth proviso which would identify the amounts to be used for the leased housing portion of the Section 202(h) Housing for the Handicapped program.

> "amounts...of which $46,585,000 shall be used only for the lease of existing units"

The Department is proposing to take advantage of the existing market in providing rental assistance to the handicapped. This insert identifies the specific amount of the appropriation for Section 202(h) to be used for leased existing units.

Delete the last part of the fifth proviso which provides funding for the Nehemiah Housing Opportunity program and the Drug Elimination Grants program.

> "; and $25,000,000 shall be for assistance under the Nehemiah housing opportunity program pursuant to section 612 of the Housing and Community Development Act of 1987 (Public Law 100-242), but such amount, and $20,000,000 appropriated under Public Law 100-404 for such program, shall be obligated under title VI of the Housing and Community Development Act of 1987, notwithstanding the sunset provision in section 613 thereof; and $50,000,000 shall be used for grants under the Public Housing Drug Elimination Act of 1988 (42 U.S.C. 11901 et seq.)"

The 1991 Budget does not propose additional funding for the Nehemiah program in 1991. Activities similar to those authorized under Nehemiah will be funded on an expanded basis within the new HOPE initiative. In order to consolidate drug prevention and control activities, a separate appropriation is being requested for Drug Elimination Grants, eliminating the need for such language in this account.

Proposed Changes in Appropriation Lanaguage

Delete the phrase "except as hereinafter provided," in the sixth proviso.

This phrase is at the end of the provision rescinding all Section 8 and Public Housing recaptures. It is meant to exclude from the automatic rescission certain recaptures from State Housing Finance Agencies in connection with refinancings. Since the exception to the rescission proviso is already clearly stated in the seventh proviso, this language is not necessary.

Insert the words "up to" in the seventh proviso, which excludes from rescission one-half of the amounts recaptured from amounts provided for financial adjustment factors.

Setting the limitation in terms of an amount "up to" 50 percent of recaptures, will allow flexibility in determining how much of such recaptures can be reused.

Delete the eighth and ninth provisos.

> ": Provided further, That notwithstanding the 20 percent limitation under section 5(j)(2) of the Act, any part of the new budget authority for the development or acquisition costs of public housing other than for Indian families may, in the discretion of the Secretary, based on applications submitted by public housing authorities, be used for new construction or major reconstruction of obsolete public housing projects other than for Indian families: Provided further, That up to $14,000,000 of the funds provided under this heading may be transferred, merged, and added to sums appropriated for "Salaries and expenses" and any amount or amounts earmarked under this heading may be reduced accordingly"

The 1991 Budget does not propose any new development or major reconstruction (other than Modernization) funding. Therefore, there is no need for this language. The transfer of $14 million to the Salaries and Expenses account was a "one-time" situation which is not proposed for 1991.

Insert at the end of the first paragraph the following language relating to the transfer of balances from the 1990 Appropriation for Renewals and Moderate Rehabilitation SRO units.

> "There shall be transferred to and merged with the amounts appropriated under this head all amounts appropriated under the heads "Assistance for the renewal of expiring section 8 subsidy contracts" and "section 8 moderate rehabilitation single room occupancy" in Public Law 101-144 that are not obligated, or that are recaptured in any fiscal year, and any obligations made under such heads shall be deemed to be obligations made under this head."

Since the 1991 Budget proposes a return to funding Renewal and SRO activity out of the Annual Contributions account, language also is being proposed to transfer all balances of the 1990 Appropriations for these activities back to the Annual Contributions account.

Delete the last paragraph.

> "Section 6 of the United States Housing Act of 1937 (42 U.S.C. 1437d) is amended by inserting after subsection (a) the following new subsection: "(b)(1) Each contract for loans (other than preliminary loans) or contributions for the development, acquisition, or operation of public housing and public housing for Indians and Alaska natives in accordance with the Indian Housing Act of 1988 shall provide that the total development cost of the project on which the computation of any annual contributions under this Act may be based may not exceed the amount determined under paragraph (2) (for the appropriate structure type) unless the Secretary provides otherwise, and in any case may not exceed 110 per centum of such amount unless the Secretary for good cause determines otherwise.
>
> "(2) For purposes of paragraph (1), the Secretary shall determine the total development cost by multiplying the construction cost guideline for the project (which shall be determined by averaging the current construction costs, as listed by not less than two nationally recognized residential construction cost indices, for publicly bid construction of a good and sound quality) by--

Proposed Changes in Appropriation Language

"(A) in the case of elevator type structures, 1.6; and

"(B) in the case of non-elevator type structures, 1.75."."

This language amending Section 6 of the U.S. Housing Act of 1937 is permanent and need not be repeated in 1991.

Assistance for the Renewal of Expiring Section 8 Subsidy Contracts

All of the language is proposed for deletion. Language is being proposed under the Annual Contributions account to fund renewals and to transfer balances of the 1990 Appropriation from this account back to Annual Contributions.

Congregate Services Program

Deletion of the language is proposed.

No additional funds are proposed for this program in 1991. Prior year unobligated balances will be used in 1990 to extend existing contracts.

Housing Counseling Assistance.

Delete portion of existing language.

Funding in 1991 would be available only for the Housing Counseling Assistance program authorized by Section 106(a) of the Housing and Urban Development Act of 1968, as amended. Funds would not be provided for the Emergency Homeownership Counseling program authorized by Section 106(c) of the 1968 Act, as amended by the Housing and Community Development Act of 1987. The Section 106(c) authority expires at the end of fiscal year 1990.

Section 8 Moderate Rehabilitation Single Room Occupancy (SRO)

All of the language is proposed for deletion. Language is being proposed under the Annual Contributions account to fund Moderate Rehabilitation SRO units and to transfer balances of the 1990 Appropriation from this account back to Annual Contributions.

FHA Fund

The FHA Fund is proposed to be split into two different accounts beginning in 1991. The two accounts would be called:

FHA - Mutual Mortgage and Cooperative Management Housing Insurance Funds; and

FHA - General and Special Risk Insurance Funds

The split will be for Budget presentation and accounting control purposes. The purpose of the split is to identify separately the funds which are not actuarially sound (General and Special Risk Funds) from those that are required to be actuarially sound (Mutual Mortgage and Cooperative Management Funds) so that the Congress and the public will be better able to evaluate the financial data presented.

Housing for the Elderly or Handicapped

Delete the third proviso.

"Provided further, That 25 percentum of the direct loan authority provided herein shall be used only for the purpose of providing loans for projects for the handicapped, with the mentally ill homeless handicapped receiving priority"

This language is proposed for deletion in order to bring the program into conformity with the provisions of the Housing and Community Development Act of 1987 which requires that "not less than 15 percent shall be available for loans for the development costs of housing for handicapped families" (Section 202(h)(1) as amended).

Proposed Changes in Appropriation Language

Delete the sixth proviso.

"Provided further, That persons disabled as a result of infection with the human immunodeficiency virus shall be considered eligible for assistance under section 202 of the Housing Act of 1959, as amended (12 U.S.C. 1701q:"

This language is being deleted because, while persons with the human immunodeficiency virus are considered eligible for assistance under Section 202 of the program, they, like everyone else, must meet the other criteria for eligibility under the program, which include such factors as income.

Flexible Subsidy Fund

Delete all current language and add language permitting the transfer of loan repayments and interest income to the Treasury.

No funding is being requested for this program. The program will be funded through 1992 out of unobligated balances. No assistance is proposed to be provided through this program after that point. Language has been proposed for 1991 to transfer excess rental collections of the Section 236 Rental Rehabilitation program to the Annual Contributions account instead of Flexible Subsidy Fund. Furthermore, interest and loan repayment income of the Flexible Subsidy Fund is proposed for transfer to the Treasury.

PUBLIC AND INDIAN HOUSING

Payments for Operation of Low-Income Housing Projects

Delete the language added in the Department of Transportation and Related Agencies Appropriations Act, 1990.

This language is no longer necessary because separate language for Drug Elimination Grants is being proposed.

Modernization of Low-Income Housing Project

Language is being proposed to fund the Modernization program under a separate appropriations in 1991. The goals of the program--physical preservation of existing PHA/IHA projects and improved administration--are so distinct that this program should be funded separately and not within the Annual Contributions account along with rental assistance programs.

Drug Elimination Grants for Low-Income Housing

Language is being proposed to fund the Drug Elimination Grants program under a separate appropriation for 1991.

Low-Rent Public Housing--Loans and Other Expenses

New Language is proposed.

Language is proposed to treat this account in the same manner as other accounts covered under Federal Credit Control procedures. Direct loans will continue to be needed to fund projects in the processing pipeline which were funded in 1986 and prior years. Consequently, the language proposes such sums as may be necessary for this purpose.

Proposed Changes in Appropriation Language

COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS

Community Development Grants

Enact new language and delete portions of existing language.

Language permitting the transfer of deobligated balances (recaptures) from the Urban Development Action Grant program is proposed for deletion in 1991. Such transfer language was enacted for fiscal year 1990. In 1991, the Community Development Grants program would be funded entirely with appropriated funds.

Language is proposed to make available not to exceed $14.5 million for "Special Purpose Grants" authorized by Section 107 of the Housing and Community Development Act of 1974, as amended by Section 105 of the HUD Reform Act of 1989. The Special Purpose Grants replace the previously authorized Secretary's Discretionary Fund.

Language pertaining to the earmarking of Section 107 funding for special projects in Hawaii, North Dakota and Utah is proposed for deletion. These projects would be funded with the 1990 appropriation. Special Projects are no longer authorized pursuant to the HUD Reform Act of 1989.

Language funding the Neighborhood Development Demonstration, authorized by Section 123 of the Housing and Urban-Rural Recovery Act of 1983 is proposed for deletion in 1991. The 1990 Appropriations Act provided $1,943 thousand for this demonstration, net of a Section 517 reduction of $31 thousand and a sequestration of $26 thousand.

Section 108 Loan Guarantees

Deletion of the language is proposed.

The Budget proposes to terminate the Section 108 program at the end of 1990.

Urban Development Action Grants

New language is proposed.

No appropriation language was enacted for 1990. New language is proposed to rescind unobligated balances remaining available in 1991, except any amounts which may be necessary to fund projects previously announced for approval.

Rental Rehabilitation Grants

Delete portion of existing language.

The 1990 appropriations language contained a proviso amending Section 311(d) of the Housing and Community Development Act of 1987. This amendment extends the rural demonstration through fiscal year 1991 and, since it constitutes substantive legislation, it need not be reenacted in the 1991 Appropriations Act.

Urban Homesteading

Add new language.

Language is proposed to make available $250 thousand of the 1991 appropriation for technical assistance.

Proposed Changes in ·ropriation Language

Assistance for Solar and Conservation Improvements

New language is proposed.

No appropriation language was enacted for 1990 for this program which has been terminated. New language is proposed to permanently withdraw from use any funds that are recaptured, or otherwise becoming available for obligation, beginning in 1991. This language applies to amounts affected by court order in the case of Dabney vs. Reagan. Because of the small amounts involved, it is not efficient for States to continue to operate this program.

Rental Housing Assistance for the Homeless

Enact new account title and language and delete portions of existing language.

This new heading replaces the former heading, Supplemental Assistance for Facilities to Assist the Homeless, authorized by Subtitle D of Title IV of the Stewart B. McKinney Homeless Assistance Act. Substantive legislation is proposed to amend Title IV to establish a program of rental assistance for homeless individuals who have chronic problems with alcohol or other drugs or serious mental illness. The appropriation request would make $161 million available for this new program. No appropriation is requested to continue funding for the SAFAH program, as previously authorized.

Rehabilitation Loan Fund

Delete the existing language and enact new language.

The Rehabilitation Loan Fund program is proposed for termination at the end of 1990. The proposed language would transfer the program's assets and liabilities to the Revolving Fund (Liquidating programs), except for $87 million of unobligated balances which would be transferred to Annual Contributions for Assisted Housing.

POLICY DEVELOPMENT AND RESEARCH

Research and Technology

Add new language to transfer appropriations from other accounts to Research and Technology.

Language is proposed to transfer $25 million from other HUD accounts to increase the amount of funds available for evaluation and monitoring of the Department's programs. A description of the use of these funds is included in the "Research and Technology" section of the Justifications.

FAIR HOUSING AND EQUAL OPPORTUNITY

Fair Housing Activities

Delete portion of existing language.

The 1990 language extended the authorization for the Fair Housing Initiatives Program (Section 561(e) of the Housing and Community Development Act of 1987) through fiscal year 1990. Similar language need not be enacted again in the 1991 Appropriations Act since the Department is proposing separate authorizing legislation to extend the program through 1992.

MANAGEMENT AND ADMINISTRATION

ADMINISTRATIVE PROVISIONS

The first through the fourth paragraphs are proposed for deletion. The first paragraph would permit the City of College Park, Maryland, to retain certain funds in connection with the closeout of the Lakeland Urban Renewal Project and use them in accordance with the Community Development Block Grant program. The second paragraph enacts a similar provision for Hartford, Connecticut, in connection with the closeout of the Sheldon-Charter Oak, Section A Urban Renewal

Project. The third paragraph provides that certain accrued interest pertaining to the development of the public housing project numbered PA-1-22 in Pittsburgh, Pennsylvania, shall be forgiven and interest paid shall be returned to the City. The fourth paragraph permits the Seattle Housing Authority to use up to $450,000 in project reserves of the Bay View Tower Project for a program of health care services for the elderly. These paragraphs remain in effect and need not be re-enacted.

The fifth paragraph is proposed for deletion. It amends section 203(b)(2) of the National Housing Act to increase the maximum mortgage insurance amounts in certain areas for single family mortgages in 1990 to 185 percent of the existing statutory amounts. This paragraph pertained to fiscal year 1990 only. To the extent that mortgage limits require addressing the budget assumes that this will be dealt with in authorizing legislation.

The sixth paragraph amended Section 235 of the National Housing Act to add a new subsection pertaining to the refinancing of assistance payments contracts. Section 235 was further amended by Section 125 of the HUD Reform Act of 1989 which established a different refinancing procedure.

The seventh paragraph repeals section 404 in title IV, General Provisions of the Dire Emergency Supplemental Appropriations and Transfers, Urgent Supplementals, and Correcting Enrollment Errors Act of 1989. The section pertained to drug related eviction procedures for tenants in public housing projects. The repeal remains in effect and need not be re-enacted.

The eighth paragraph provided for the use of up to $1 million in public housing modernization funds for indemnification in connection with the lead-based paint testing and abatement program. This paragraph pertained to the appropriations for "Annual Contributions for Assisted Housing" enacted in 1990 and does not need to be re-enacted.

The ninth, and final, paragraph designates $896,000 of the "Annual Contributions for Assisted Housing" appropriation in 1990 to provide Section 8 existing certificates for the Ganado Acres project. This paragraph pertained only to the appropriations enacted in 1990 and does not need to be re-enacted.

TITLE V GENERAL PROVISIONS

Section 509 - Restrictions on use of Salaries and Expenses Appropriation

Deletion of this section is proposed.

Deletion of this section is proposed as part of an Administrationwide action to provide managers with flexibility to manage their funds and assure their most effective use within the totals provided by the Congress.

Section 511 - Publication of contracts

Deletion of the following language is proposed.

> ", and (2) thereafter included in a publicly available list of all contracts entered into within twenty-four months prior to the date on which the list is made available to the public and of all contracts on which performance has not been completed by such date. The list required by the preceding sentence shall be updated quarterly and shall include a narrative description of the work to be performed under each such contract."

The information on contracts referred to in the language is retained and made available publicly as directed by OMB Circular A-120. Consequently, this language is no longer necessary.

Section 515 - Absorption of fiscal year 1990 pay raise costs

Deletion of this section is proposed.

This provision which directs that the sums necessary for fiscal year 1990 pay raises shall be absorbed within levels provided in the Appropriation Act is no longer necessary. The provision is being complied with in 1990, which renders it inapplicable for 1991.

Proposed Changes in Appropriation Language

Section 516 - Limitation on the number of noncareer appointees to the Senior Executive Service within the Department of Housing and Urban Development

Deletion of this section is proposed.

This provision limits the number of noncareer appointees to the Senior Executive Service (SES) in the Department after January 1, 1990 and for the duration of fiscal year 1990. It also directed the Office of Personnel Management to undertake an expedited review of SES positions in HUD and report to the Congress by December 15, 1989. This section pertains only to fiscal year 1990. In addition, the Office of Personnel Management complied and reported to the Congress in December 1989. Consequently, this provision is no longer applicable.

Section 517 - Certain reductions to amounts provided in the Act

Delection of this section is proposed.

No reduction from the amounts to be appropriated for certain accounts and activities is proposed for 1991.

INTERAGENCY COUNCIL ON THE HOMELESS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Appropriation (Budget Authority)	$1,100	$1,200	$1,083 a/	$1,214	+$131
Obligations.......................	686	1,346	1,900	1,214	-686
Outlays...........................	718	1,300	1,900	1,376	-524
Staffing:					
Total Full-Time Permanent Appointments, End of Year.....	10	10	12	12	...
Total Staff-Years..............	9.1	10.0	12.0	12.0	...

a/ Reflects a reduction of $17 thousand pursuant to Section 517 of the 1990 Appropriations Act.

SUMMARY OF BUDGET REQUEST

The Interagency Council on the Homeless requests a 1991 appropriation of $1,214 thousand to meet the cost of Council Headquarters staff and related expenses. Field staff support will continue to be provided on a non-reimbursable basis from member agencies of the Council. Authorizing legislation will be required to extend the Council in 1991.

FUNDING

The following table shows the actual obligations for 1989 and estimated obligations for 1990 and 1991 for the Council by object class.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
		(Dollars in Thousands)			
Personal Services.............	$468	$481	$640	$663	+$23
Travel and Transportation of Persons....................	68	200	200	200	...
Transportation of Things......	...	3	3	3	...
Rent, Communications and Utilities.....................	30	10	60	60	...
Printing and Reproduction.....	23	40	330	93	-237
Other Services................	91	567	622	150	-472
Supplies and Materials........	4	15	15	15	...
Furniture and Equipment.......	2	30	30	30	...
Total........................	686	1,346	1,900	1,214	-686

1. CHANGES FROM 1989 ESTIMATES INCLUDED IN THE 1990 BUDGET

Actual obligations ($686 thousand) were less than the estimate ($1,357 thousand). The reduced obligations occurred due to changes in the Council's staff which delayed planned travel by the staff and also delayed fully utilizing "Other Services" funds for contracts.

2. CHANGES FROM THE 1990 BUDGET ESTIMATES

	(Dollars in Thousands)
Budget estimate (obligations)............................	$1,346
Add 1989 Budget Authority carryover......................	+817
Deduct Congressional action on 1990 request............	-117
Add personal services cost for 2 additional staff-years (including pay raise)......................	+159
Deduct changes in support costs.........................	-305
Current 1990 estimate (obligations).......................	1,900

Interagency Council on the Homeless

The current Budget estimate reflects an increase in Council staff from 10.0 staff-years to 12.0 staff-years. As proposed in the Council's reprogramming letter of December 27, 1989, the increase is required so that the Council can meet its responsibilities under the McKinney Act to assist in the formulation of homeless policy and to meet its responsibilities to monitor and evaluate Federal, State and local homeless assistance activities.

The current estimate of obligations ($1.9 million) is higher than the estimate in the 1990 Budget ($1.3 million), reflecting full use of the 1990 appropriation and full use of the unobligated balance carried into the year. The major increase is for "Printing and Reproduction" to provide for a significantly expanded outreach effort to the homeless provider community, including distribution of a bi-monthly news bulletin plus periodic newsletters to a mailing list of nearly 30,000.

3. ANALYSIS OF INCREASES AND DECREASES

	1990	1991
	(Dollars in Thousands)	
Prior year obligations	$686	$1,900
Changes to staffing level	+153	...
Fiscal year 1990 general pay raise	+19	...
Fiscal year 1991 general pay raise	...	+23
Changes in travel costs	+135	...
Changes in printing and reproduction	+307	-237
Changes in other services	+531	-472
Changes in other support costs	+69	...
Total obligations	1,900	1,214

There is an increase of $172 thousand and $23 thousand for personal services in 1990 and 1991, respectively. The changes reflect the following:

-- The 2.0 staff-year increase during 1990 results in a funding increase of $153 thousand. This increase reflects additional staffing to support the increased outreach efforts and the expanded monitoring and evaluating responsibilities of the Council.

-- The general pay raise which became effective during January 1990 is estimated to require an increment of $19 thousand during 1990.

-- The cost of the proposed 1991 pay raise of 3.5 percent which would become effective in January 1991 would be largely absorbed. The $23 thousand shown would cover a portion of the total requirement.

Support costs increase $1,042 thousand in 1990 and decrease $709 thousand in 1991. The changes reflect the following:

-- Changes in travel cost require an increase of $135 thousand in 1990 with no increase proposed for 1991. The increase is consistent with the staff levels and expanded program levels to be supported in 1990.

-- Changes in printing and reproduction reflect an increase of $307 thousand in 1990 and a decrease of $237 thousand in 1991. It is assumed the expanded outreach effort in 1990 will not need to be maintained in 1991 at the same level since much of the printed material will remain available in 1991.

-- Changes in other services require an increase of $531 thousand in 1990 and a decrease of $472 thousand in 1991. The increase in 1990 is primarily for contracts to conduct research identified by the Council and Council members as important to the furtherance of the Council's mission. The bulk of the Council's contracts will begin in 1990 with lesser amounts required in 1991.

-- Changes to all other non-personal services costs, such as supplies, rent and communications equipment procurement result in a net increase of $69 thousand for 1990 with level funding in 1991.

Interagency Council on the Homeless

EXPLANATION OF OBLIGATIONS BY OBJECT CLASS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Personal Services.............	$468	$481	$640	$663	+$23

This funding provides for salaries and personnel benefits for a staff of 12 paid by the Council and to support 12 staff-years. These include health and life insurance and the Government's contribution to employee retirement plans. The increase of $23,000 covers the cost of the anticipated pay raise in January 1991.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Travel and Transportation of Persons...............	68	$200	$200	$200	...

These funds represent the transportation of Government employees or other persons who travel under the auspices of the Federal Government, their per diem allowances when in an authorized travel status, and other expenses incidental to travel which are to be paid by the Council to support regional workshops, technical assistance and monitoring of the McKinney Act programs. This also includes staff attendance at meetings and conferences.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Transportation of Things.....	...	$3	$3	$3	...

This represents the estimated cost of transporting items such as supplies and equipment in support of Council sponsored meetings, workshops, and conferences.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Rent, Communications and Utilities..............	$30	$10	$60	$60	...

These funds are required to support the Council's communications services. These funds are also in support of postage fees to be paid to the U.S. Postal Service for mailing of brochures, newsletters, and other printed publications to the general public.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
			(Dollars in Thousands)		
Printing and reproduction	$23	$40	$330	$93	-$237

This funding represents estimated costs for significantly expanded contractual printing and reproduction services in 1990 for the Council's letterhead stationary, envelopes, labels, reprints of the Stewart B. McKinney Homeless Assistance Act and the Stewart B. McKinney Homeless Assistance Amendments Act, newsletters, brochures, and monthly bulletins. In addition, the Council proposes to publish manuscripts, reports and other printed matter as necessary to support its clearinghouse functions.

A decrease in printing and reproduction costs is expected in 1991 as most of the costs of printing new Council publications will be incurred in 1990.

Interagency Council on Homeless

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Other Services................	$91	$567	$622	$150	-$472

These funds are primarily for contracts to conduct research on policy topics identified by the Council and Council Members as important to the furtherance of the Council's mission. In addition, identification of successful local programs and strategies, local data collection and measurement activities and further development and refinement of the homeless data base will be undertaken through contracts. The Council will continue to carry out its clearinghouse functions to provide information to the public, State and local governments and Congress and those involved in serving the homeless, on a wide range of activities currently underway throughout the country. The 1991 reduction reflects completion of 1990 contracts in 1991.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Supplies and Materials........	$4	$15	$15	$15	...

This represents the cost of general office supplies required to support staff needs and supplies and materials incidental to word processing and personal computer equipment.

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
	(Dollars in Thousands)				
Furniture and Equipment.......	$2	$30	$30	$30	...

These funds represent the cost of upgrading computer equipment.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Interagency Council on the Homeless, authorized by Title II of the Stewart B. McKinney Homeless Assistance Act, as amended, is an independent Federal organization composed of the heads of eleven Cabinet Departments and six agencies. The Council was organized formally on September 29, 1987. The Secretary of Housing and Urban Development is the elected Chairman. The Secretary of Health and Human Services is the elected Vice Chairman.

The Council is responsible for monitoring, evaluating, and recommending improvements in activities to help the homeless conducted by Federal agencies, State and local governments, and private voluntary organizations. Its scope of activity is therefore extremely broad. It is also responsible for providing professional and technical assistance to the Field and for collecting and disseminating information on programs for the homeless. In addition, the Council prepares an Annual Report for the President and the Congress.

2. WORKLOAD

In 1990, the Council is expanding its outreach efforts by conducting various Regional workshops and meeting with State homeless coordinators; providing general and program information upon request; and conducting monitoring and evaluation reviews in a number of States and Federal agencies. Contracted research efforts will also be developed and implemented. In addition, the Council's mailing list of 30,000 is being updated to ensure efficiency and profiled to meet the readerships' information needs. The Council is also developing new publications such as program fact sheets and technical assistance manuals.

Interagency Council on Homeless

In 1991, the Council will continue to move forward in a number of ways. Enhanced program data will be developed, several research projects will be continued, and additional regional workshops and meetings with State homeless coordinators will be conducted, as well as other outreach and program activities.

3. SUMMARY OF STAFFING REQUIREMENTS

	ACTUAL 1989	BUDGET ESTIMATE 1990	CURRENT ESTIMATE 1990	ESTIMATE 1991	INCREASE + DECREASE - 1991 vs 1990
Full-time permanent appointments, end of year	10	10	12	12	...
Staff-years...............	9.1	10.1	12.0	12.0	...

In 1990, the Council's request to reprogram funds, within available 1990 resources, will increase Headquarters staff by 2 staff-years (from 10 staff-years to 12 staff-years). This staffing increase will permit the Council to hire 2 additional persons in 1990 to help coordinate the various McKinney Act programs, and better enable the Council to meet it's monitoring and evaluating responsibilities of Federal, State and local homeless assistance activities. The added staff will also assist in the formulation of homeless policy.

No staffing increases are proposed for 1991.

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